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**HIS MAJESTY  
THE PRESIDENT OF BRAZIL**

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DESPOT'S DOMAIN

HIS MAJESTY  
THE PRESIDENT OF BRAZIL  
*A STUDY OF CONSTITUTIONAL BRAZIL*

*by*  
ERNEST HAMBLOCH

*With 20 Illustrations  
and a Map*



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HIS MAJESTY  
THE PRESIDENT OF BRAZIL

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*First Edition*

## P R E F A C E

THERE is one feature common to the constitutional law of republics in the continent of America, viz. the autocracy of the Head of the State. Indeed, the essential characteristic of those republican charters of liberty is that they grant letters of marque to the president of the republic.

It is true that the immediately apparent effects of that principle of authority are not the same in all cases, while the resultant conditions are often profoundly modified by a variety of circumstances peculiar to each people—by tradition, by ethical influences, and by geographical and geological accidents. But, in its ultimate and constant effect, that principle produces social and political reactions which are fundamentally the same in all nations living under such a system of government. Any differences in reaction, however striking, are differences merely of degree, not of kind.

The following pages are an attempt to examine some aspects of the operation of the presidentialist régime in its direct bearing on social and economic life, with special reference to Brazil.

Latin American communities are chronic sufferers from what are called revolts, revolutionary outbreaks, and armed movements, as well as financial instability. But these are only symptoms. My aim has been to diagnose the malady, discover its fundamental cause, and account for its disastrous ravages.

To Dr. M. Perestrello de Carvalhosa, Judge of Appeal, my warmest thanks are due for much valuable help and advice.

ERNEST HAMBLOCH





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**HIS MAJESTY  
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## CHAPTER I

### A POINT OF VIEW

FOREIGNERS who study Brazil to-day usually do so from the standpoint of her economic situation. Brazilians themselves do so. And both Brazilians and foreigners are baffled. Their studies lead them to no definite conclusions, and they are prone to fall back on grandiloquent, albeit sincere phrases about the Great Future of Brazil. That, however, is merely avoiding the issue. It is an attempt to conceal their failure to analyse Brazil's problems by talking vaguely about her future. But when things are continuously not well with a country of Brazil's formidable natural resources, there must be some causal factor that is constant to account for that phenomenon. High import duties, export taxes—which M. Raymond Poincaré stigmatised as only “fit for backward countries”—excessive borrowing, valorisation schemes, lack of continuity in the policy of public administration, social disturbances and revolutions—all these and other influences may be invoked to account for dislocation of trade and for financial difficulties. But they are not prime causes, and in themselves they explain nothing.

The origins of Brazil's troubles are to be sought in the defects of her political régime.

Brazilians who are otherwise intelligent, and who in many branches of applied knowledge and research have produced names which are, and deserve to figure, in the front rank, are afflicted with grave defects of vision in political matters. They are apt to be led away by mere labels or formulae of the latest political craze, whatever its origin.

If they have been abroad they are inclined to persuade

themselves that their political troubles are due to innate defects in their own character, and there are not wanting interested persons to encourage them in that belief. They sometimes react to that persuasion by a rather irritating form of nationalism. But that attitude is itself foreign to their temperament, which is one of large tolerance.

✓ Even Brazilians who are students of political economy and are well read in constitutional law seem, for the most part, incapable of constructing the mental bridge by which their book knowledge may pass to a proper application to their national problems. There is astigmatism in their outlook on their own economic and political conditions, and they show a peculiar inability to bring their theoretical knowledge within the focus of their practical necessities. It is as though they had left in their libraries all they had acquired from books, and were, on emerging into their own workaday world, blinded by the light of real day.

Nothing is more disappointing than to hear a Brazilian discoursing in public on the problems of his country, after having heard the same man, in the intimacy of private conversation, deal with those very problems in a rational and well-read manner. His public utterances are as vapid and confused as his private talk was interesting and well informed.

• Brazilians who go abroad seem, with some rare exceptions, to derive but little political benefit therefrom. Their case is, in fact, not much different from that of the stay-at-home Brazilian who emerges from his library. There is also this consideration: that the majority of Brazilians who have travelled have, until quite recently, been moneyed people. They have mostly been rich coffee planters, or else members of special Government missions, with salaries which are usually princely when compared with their normal income in Brazil. The vision of such travellers is perforce distorted, apart from the fact that, in recent times, the proportion of intellectual Brazilians who have been able to afford to travel is infinitesimal.

It has been the custom of travelled Brazilians to use one



of two kinds of spectacles through which to regard their own country when they return home: rose-coloured or smoked. If they have seen *chomeurs* in France, or an Unemployed march in England (they rarely go to Germany, unless they are medicos), they either tell their fellow-countrymen that Europe is on the brink of ruin, exhausted, decrepit, and about to be blown sky-high by a catastrophic outbreak of Communism; or they say that Europe is definitely tending towards a new form of super-autocratic government as the only means whereby civilisation can be saved. Occasionally a Brazilian will give lectures before some select audience in Paris, and will genuinely and agreeably surprise his hearers by his wide knowledge of public law and by his perspicacity in dealing with the application of liberal theories to democratic government. He will then return to Brazil, and his former hearers will be still more genuinely but not so agreeably surprised to read one of his political speeches made before a Brazilian audience. All the profound knowledge and precise methods of application that had characterised his lectures in Paris will have been transformed into diffuse, rhetorical generalities and inconclusive reasoning. The cause is not far to seek. The brilliant orator and penetrating reasoner has trimmed the sails of his erudition to the unstable winds of local politics and of petty, personal interests. It is indeed hard to serve God and Mammon! In this respect, Brazilians are their own worst enemies. They have lost faith in themselves, while professing to believe in "the great destinies" of their country. They have become anthropomorphic. They discuss political personages and not political issues. None of the so-called leaders of politics in Brazil represents any political creed of any kind whatsoever. Such men, to be successful, have to be ingenious seers. They have to be able to foretell with considerable accuracy—and that is no mean task—the probable developments in the kaleidoscopic permutations and combinations of personal political interests.

Public administration in Brazil is really carried on by the

leaven of underpaid and loyal subaltern officials, and there would probably be constant Budget surpluses if political questions could be discussed in Brazil without the names of local politicians being tied on to them. If Brazilians were to take off their coloured spectacles and look facts in the face, without relation to what Senhor A.—who probably knows nothing about the question—thinks about it, and without wondering whether Dr. B.—who may possibly know something about it—would be very much offended if his views were publicly opposed, they might arrive at some really startling conclusions. They might arrive at the most startling conclusion of all, and that is that a nation of close on fifty million people, with splendid traditions of political liberty, is sufficiently grown up to be able to think for itself, act for itself, and—at a pinch—govern itself, instead of being ruled by decree. They might cease to be impressed by the sounding brass and tinkling cymbal about the Greatness of Brazil, and set more store by the “still, small voices” which urge the restoration of the Freedom of Brazilians.

The future of all nations is in the hands of the younger generation. The average young Brazilian is quick and assimilative. He therefore has to be on his guard against superficiality if he wishes to render any service of value to his country. It was the easy road of superficial patriotism that led the older generation in Brazil to avoid the real political issues that faced them after Brazil became a republic. Nothing was solved by the republican label; but important issues were raised when representative government ceased in 1889. That was what the older generation would not or could not see.

## CHAPTER II

### BRAZIL'S INTERNATIONAL OUTLOOK

IT is commonly supposed that Brazilians are good orators. That is not quite true. Brazilians are interesting conversationalists and can always use their language picturesquely, But their set speeches are tropical. They are overgrown with words. In their political orations they not infrequently exemplify Bismarck's definition of good speaking. They are poets who cannot be expected to adhere mathematically to the truth. As listeners, they are capable of keeping up a running fire of *obiter dicta* both pungent and pointed; but more often than not both speaker and listener are carried away by fine-sounding phrases. Their written speeches are involved and inclined to be turgid. Where the Brazilian speaker scores over the average Englishman is that he is never reduced to hum-ing and ha-ing. He can always fill in the breach of hesitation with a few well-turned periods. The consequence of this verbal facility is that the Brazilian is apt to lose the real sense of words. He is word-proof. The public speaker therefore heaps Pelion upon Ossa in his effort to produce an effect. But the effect is only immediate, and in the matter of the spread of political ideas, political speeches are barren. A fair instance of this is afforded by an interview which a Brazilian Minister gave to the press at the end of 1933. He said he was "endeavouring to fulfil a task that should be in complete harmony with the aspirations of the Brazilian people, such aspirations being identical with those of the peoples of other nations". He went on to say that he was "acting thus in order to project Brazil in the concert of the nations of the world in the place that is hers by right, in a future which it is our patriotic aspiration shall be

luminous and definitive". Which, as runs the *Story of Prince Agib*, "is pretty, but I don't know what it means".

To fathom the real import of the public speeches of Brazilian public men requires considerable knowledge and careful analysis of the speaker's temperament, of his special position in local politics, and of the occasion on which he spoke.

The reactions of Latin American peoples to what goes on in other, "older" countries seem often but little heeded. The foreigner is disposed to consider Latin American nations as segregated units outside the interplay of the social, political, and economic happenings in the rest of the world. But, although the political speeches of Brazilian public men are either abstruse or rhetorically inconclusive, there is nevertheless a very vivid reaction in Brazil to all that goes on in the life of other countries, the events of which are closely followed and sometimes commented upon with uncanny accuracy.

The trend of thought of the average, cultured Brazilian on a few matters of general international interest and his attitude towards some of the foreigners with whom he comes in daily contact will furnish at least the right perspective for forming some idea of Brazilian mentality.

\* \* \*

Directed economy, for instance, as now practised in the United States, is no new thing in Brazil. It has been a commonplace in practice, if not in speech, for many generations. The Government has long been regarded as the unit "from whom all blessings flow"—to those who are lucky. It is clear that the virus of directed economy must be either latent or endemic in nations with a political system based on the personal administration which characterises the presidentialist régime of the United States, the Constitution of which served as the model on which Latin American republics fashioned their own political charters. On the other hand, directed economy may be epidemic in countries like Italy, Poland, or Germany

which, each for reasons peculiar to it, adopted or had forced on it a One Man Show. The only difference is that in the latter cases autocratic rule was imposed by the autocrat (or his friends), while in the case of the American republics—North and South—their constitutions could logically lead to nothing else but despotism masquerading as democracy. What the American Government is trying to do is to exercise such direct control of industrial and economic life generally that, had it happened in Russia, everybody would be quoting it as yet another instance of the slavery of Communism. Nevertheless, Mr. Roosevelt's experiment makes a considerable appeal to Brazilians. They admire his courage.

In Italy directed economy takes another form, and when Signor Mussolini finds himself faced with any difficulty, or merely feels so inclined, he fuses two or three ministries and takes charge of them himself. Moreover, the *duce* does not believe in having too many Young Pretenders near the Fascist throne for too long at a time. Fascist methods are thought to be rather crude and theatrical by Brazilians, who are content to appreciate from afar, but not to emulate really seriously. Brazilians have, in any case, always had a superiority complex in relation to Italy.

As regards Communism—which is in one sense nothing but directed economy—the Soviet leaders were at least frank. They adopted the attitude of the State ownership of everything, including men's souls, and they are still engaged in working out the salvation of the Russian people without being tied to any of the fetishes that put them in power, such as the doctrines about war on capitalism and the sanctity of labour. In Latin America, and not least in Brazil, alleged fear of Communism has furnished a new and specious justification for arbitrary methods on the part of governments—measures as autocratic as those of the Russian form of Communism against which they are alleged to be directed. This has been particularly noticeable in the treatment of political prisoners, who—as was mentioned in a petition to the competent judge

in 1933 by some of the leading lawyers in S. Paulo—are “crowded into filthy dungeons, and flogged and tortured for supposed participation in equally suppositious Communist plans”. They went on to say that “the Police Department is a faithful reproduction in the twentieth century of the notorious Tribunal of the Holy Inquisition”. Brazilians are not cruel by temperament. They are, on the contrary, easy-going. But the case of the political prisoner under presidentialist régimes is a special one. He has committed a fault not lightly to be redeemed. His sin is tantamount to a sin against the Holy Ghost. It is blasphemy of the worst kind. He has offended against the Presidential Purple.

Socialism used to be scoffingly defined as a state of affairs in which everybody did as he liked, and those who did not like were made to. By the same analogy, presidentialist republicanism is a form of government under which each individual is perfectly free to do as the government likes.

Ideals of republican freedom will never be anything but nebulous dreams as long as the political régime makes for autocratic government, and that is the inevitable tendency of the constitutions of the American republics. In her republican existence of nearly half a century, Brazil has achieved considerable material progress and even greater political disorder. Politically she has been marching backwards—rather unsteadily. In their desire to find a way out of such disorder, some Brazilians toy with the idea of finding a “strong” man, and to those of that way of thinking the figure of Herr Hitler makes some appeal. Their reasoning is, more or less, that if a man like the *Fuehrer* can succeed in uniting an intelligent people like the Germans into a cohesive republic, paradoxically called a *Reich*, there is something to be said for “strong” men and for imperialistic republics. But this reasoning is superficial, for it is just because successive presidents in Brazil have tried to be “strong” men that there have been so many revolutions and disorders of all kinds.

The best balanced opinion in Brazil on the matter of

"strong" governments is that Messrs. Hitler and Mussolini are not by any means succeeding in doing all the things they proclaim they are doing, but that in any case they have sincere admirers and adepts among their compatriots. They are "popular". Would-be strong men in Brazil make no moving public appeals. They despise the people. They are merely concerned with forming a clientele in order to remain in power, while their only policy is directed towards abolishing public liberties, muzzling the press, prohibiting public meetings, destroying local autonomy, and causing the whole life of the country—and the individual life of each citizen—to depend on the supreme power, whether that power be a provisional or a constitutional dictatorship. That is how educated Brazilians regard their own political situation at the moment.

Germans are admired in Brazil. The little fact that maps existed in Germany before the War, with the North of Argentina and the South of Brazil plastered over with the words *Deutsche Kolonien* is either not remembered or is brushed aside as some remote war ambition that has lost any practical significance it may have had. What the Brazilians have seen daily in their midst for the past fifty years and longer is an industrious German community, consisting of all grades of society—from tillers of the soil to wealthy coffee planters and tobacco growers, from factory operatives to skilled mechanics, chemists, doctors, scientists, merchants, bank directors, factory owners, and shippers and buyers of Brazilian products. The "coffee king" of Brazil was an illiterate German who at one time owned sixty huge coffee estates in S. Paulo.

The number of people of German blood in Brazil is probably not short of one million. Every town of any importance has its *Germania* or some other club—recreation centres which, though social in form, are nevertheless intensely national in scope. But while most Germans in Brazil (except the few remaining survivors of the old Hanseatic traditions) have never ceased to be strong imperialists, not many of them are

really Nazis by political conviction. Most Germans in Brazil look upon Herr Hitler as the restorer of rigid order and iron discipline within a barrack-yard hierarchy which is the only form of social relationship, personal or international, which the Teuton has ever really understood. They consider the *Fuehrer* less as a political expression to intimidate France and cajole England than as the herald of a resuscitated Pan-Germanism—which would not fail to be actively operative in Brazil if it had the chance.

Even those Brazilians who nourish the delusion that their country would be better off with some “strong” leader—a sort of composite Mussolini-Hitler—boggle at this aspect of imperialism, and though they quite fail to see that what their own country has most suffered from is would-be strong men, their inherent tolerance is shocked by German official anti-Semitism. Brazilians may not, perhaps, take the trouble to analyse very deeply the definition of Germany’s task in the world as given by Herr Hitler at the Congress of Nuernberg in September 1933, but their innate sense of generous hospitality is offended by such phrases as these: “National Socialism is a philosophy which applies to all domains. One of its essential objects is to preserve intact the ancestral, racial patrimony bequeathed to us. It is based on the heroic conception of the value of blood, race, and personality. It believes in the eternal law of selection, and is thus essentially opposed to the pacifist international-democrat conception and to all its effects.”

To a nation with the assimilative and broad-minded characteristics of the Brazilian, all Herr Goering’s garrulities about pure Germans and Aryans seem to assume entirely false ethnological premises and to be utter nonsense. In general, the Brazilian attitude towards racial problems is an endorsement of Herr Oswald Spengler’s ridicule of “zootechnic conception” in his *Jahre der Entscheidung*. No other attitude could indeed be logically expected from a people with the racial admixture of the Brazilian nation. In any case, modern



German militarism—which Brazilians are shrewd enough to perceive is a fact—finds no echo in Brazil, and though Brazilian colleges have a fondness for dressing their alumni in miniature military uniforms, Brazilians are sincere pacifists—internationally. The vast territorial expansion of Brazil has been due to courageous exploration and a sort of restless trek fever in quest of gold, diamonds, and other riches of the soil. It has certainly not been due to armed conquest, though the Brazilian has been as ready with his rifle as any other prospector. Much, therefore, as they esteem the Germans in their midst, Brazilians are shocked when they read statements like that in Professor Ewald Banse's recent book, *Wehrwissenschaft*, about war being the "fundamental requirement and destiny" of the German people. Brazilians noted with peculiar insight the Nazi methods of suppressing contrary parties and persons before appealing to a plebiscite. They were not impressed. They know too much about elections under pressure!

It is significant that Signor Mussolini makes far less appeal to Brazilians than Herr Hitler. They can fathom the shallow waters of the Fascist régime in a Latin country. But the language difficulty and ethnological differences make Nazism rather a remote phenomenon, which it pleases some Brazilians to dally with—speculatively.

When, during the War, plenary powers of Latin and North American amplitude were conferred on Mr. Lloyd George, the British public would sometimes become agitated about a particular problem; whereupon, as Mr. Philip Guedalla has pointed out, Mr. Lloyd George would create a Ministry of it and lull the public into thinking it was being dealt with. That was before Mr. Lloyd George visited South America; but his actuation was nevertheless a faithful though unconscious copy of procedure there. There is, however, this important distinction. Parliament in England still has the whip hand, and can and does use the whip when it thinks fit. In American republics the whip is in the hand of each president in turn, for his legal period of power.

Brazilians admire English parliamentary methods as sincerely as they do Professor Einstein's theory of relativity, the degree of comprehension being the same in each case.

The British—and to a more limited extent the French, who are Brazil's best customer in Europe—have been Brazil's "hewers of wood and drawers of water". They have been Brazil's financiers. London has been a good creditor to Brazil, and—until New York forced loans on Brazil to an extent that Brazil could not be reasonably expected to pay back—Brazil was a good debtor. It is a tribute to both Brazilians and British that relations between creditor and debtor have never been really strained. But that good relationship between the City and Brazil does not permeate to the man in the street in either country. Both are on quite good terms with each other; but neither understands anything about the other. Moreover, the administration by British companies of many public utilities in Brazil, while performed without any undue friction and often in good harmony with the Brazilian authorities, must frequently collide with what the Brazilian user of such facilities considers are his own interests. He wants reduced freights, smaller gas and electricity bills, lower rates for drainage, and so forth. In business, the Brazilian knows he gets a good, straight deal from British houses, and good workmanship and material in the merchandise he orders. But he also reasons that the Englishman must be very rich, for he lends money to Brazil and administers and owns a number of Brazilian utilities, with the result that the Brazilian citizen has to pay away a lot of money to the Englishman, who is therefore considered to be in a somewhat special position that does not make for any real intimacy. Besides which—that is the sort of general conclusion—"we do not really understand the English of to-day, and we doubt if they understand us".

While thus regarding international matters, quite a number of Brazilians have adopted the Diogenes attitude—with a difference. They are lighting their lanterns in quest of a

“strong” man to head a “strong” government. The foreign observer should not, however, be misled when he sees small groups of men parading the streets with Sigma signs on the sleeves of their olive shirts. The Swastika has become a Sigma in Brazil, and the Black shirt turned Olive. That is all. But Brazil’s political clothes were cut to a United States model. They fit none too well.

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CHAPTER III

THE STRONG MEN OF LATIN AMERICA

*The heroic legend and the sordid reality—The alleged failure of democracy—Brazil's historical lapse.*

DESPOTIC rule in Spanish America is the legitimate child of Spanish absolutism out of revolution; but in Brazil it is the illegitimate offspring of personal ambition wedded to the republican Constitution. Progress in self-government in Brazil may have been slow and at times painful under the hereditary monarchy. But it was a constant factor. Under the elective autocracy set up by the republican Constitution, self-government ceased to be even a fact. The precipitate birth of the Brazilian Republic, resulting from the military *coup d'état* in 1889, warped and eventually withered the growth of representative government, which, the more its virtues were hymned in republican theories, the more it decayed in republican practices. Even sincere republicans were so busy talking about liberty that they had no time to see how to apply it.

Strong men were perhaps necessary in order to rescue Spanish America from the anarchy that accompanied the downfall of Spanish hegemony overseas during the Peninsular War. But through all that troubled period and for many decades afterwards Brazil's history had been one of gradual political evolution. While the rest of Latin America was supplying headlines to the world's press, Brazil's annals were a close approximation to Montesquieu's definition of tiresome history.

The real story of the Strong Men of Latin America is one of banishments, violence, and vileness; of the terrorism of

arrogant *llaneros*; of the atrocities of unscrupulous *gauchos*; of pillage, decapitation, throat-cutting, belly-ripping, firing parties, sinister prisons, and diabolic tortures. These were the potent arguments of sacred Liberty—and not any refulgent idealism that emanated from her—to stifle protests, frighten the weak, and introduce and stablish the vaunted era of material progress and prosperity. It was the régime of Peace by Terror, and the system by which any “glorious republic” became the feudal domain of the Strong Men.

They are all essentially alike, these ambitious, domineering patriots, drunk with power, as they swagger across the blood-stained pages of Latin American history.

In Mexico, for instance, there was the stunted and loquacious colonel, Iturbide, who thought to imitate *le petit caporal* and who, after being emperor for twelve short months, abdicated, left the country, and returned in 1824—only to fall before a firing-squad, as his archducal successor did forty years later. Then there was Santa Anna, whose very name most people have forgotten to-day. But the outstanding figure of modern Mexico is of course Porfirio Diaz, who had so much in common with that commercial-minded brigand, Hadgi-Stavros, whose exploits fill the pages of *Le Roi des Montagnes*.

Venezuela produced Guzman-Blanco, a man of real talent, but the mercenary *caudillo* par excellence.

In Argentina there was the bloodthirsty Rosas, type of the chauvinistic *gaucho*, and Lord Palmerston’s friend.

Paraguay was kept in servility by the terrible and taciturn Dr. Francia, and the cunning and sinister Carlos Antonio López, whose vain and commonplace son in five awful years of war bled Paraguay white.

All these men—they are merely examples: there are scores of others—were, each in his own way, initiators of political reform by dictatorship, consolidators of stable régimes based on terrorism, and stimulators of progress founded on corruption.

Not a few of the Strong Men were admired during their lifetime, even by some of their opponents who managed to escape death at their hands, and in their case posterity is inclined to inter the evil and not the good with their bones. Their names loom large, and that means a good deal in retrospect. In one of his rough-hewn essays, Carlyle qualified the taciturnity of the awful Dr. Francia as "the grim unspeakabilities". He might more fittingly have called the Paraguayan tyrant "unspeakable" and left it at that, except that Carlyle, like posterity, always seemed to be impressed by mere size.

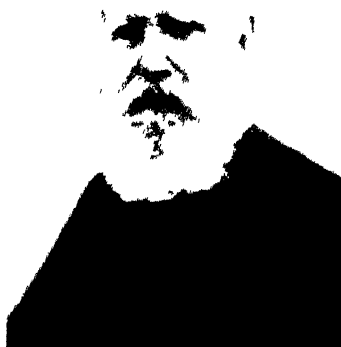
All the prototypes of the modern supermen of Europe are to be found in the Americas, and—possibly because they are at a safe distance—they are often regarded with patronising complacency by beholders in Europe. As recently as 1909 the London *Times* said of the *rusé* Porfirio Diaz that "he was the greatest statesman Latin America had produced since the foundation of her republican institutions". By the same token, Judge Jeffreys may be considered as the austere exponent of Justice tempered with Mercy, and the Bloody Assize as the pure pattern of the majesty of the law. The Peruvian historian, Señor F. Garcia-Caldéron, made a penetrating analysis of Porfirio Diaz when he said that in his character were embodied the imperial ambitions of Iturbide, the astuteness of Santa Anna, and the dictatorial propensities of Juarez. Illusions about material progress vitiate sound judgment, and it is highly questionable whether material progress under Porfirio Diaz and men like him, founded on the mangled corpses of tortured opponents and slaughtered innocents, is any progress at all, even material. The real achievement of that Spanish-Indian "statesman", who was trained for the priesthood, was that he converted Mexico into a Tom Tiddler's ground for the more speculative intrigues of Wall Street, and rendered sneering homage to the elective empire of the Aztecs by transforming his country into a satrapy of the Oil Kings. The "greatest statesman Latin America had produced" merely



KING DOM JOÃO VI  
1808–1822



EMPEROR DOM PEDRO I  
1822–1831



EMPEROR DOM PEDRO II  
1831–1889

## THE MONARCHY





left the inevitable legacy of anarchy. After the Strong Men comes even stronger Nemesis!

\* \* \*

It is sometimes argued, by a kind of retrospective logic, that the inevitable period of unrest that supervenes when the Strong Men have passed is a tribute to the value of government by force. It is a curious line of reasoning.

Perhaps it is to be expected that people whose interest in Latin America is inspired merely by Stock Exchange quotations should view with regret the passing of the Pippa Period when, wherever God might be, all was right with the world of South American securities, and chaotic darkness had not descended upon the face of the deeply watered capital of Latin American enterprises. Viewed through the eye of Threadneedle Street, or the spy-holes in Wall Street, distance no doubt lends a certain enchantment, because all that comes into view is the "awful form" of a dividend-paying dictator with "eternal sunshine settling on his head". The pools of blood in which these Strong Men wallow are not descried. They do not therefore mar the sunny perspective of material progress.

But that so many Latin American writers who have recorded the turbulent history of their continent with translucent perspicuity and with a wealth of philosophical illustration and jurisprudential acumen, should come—as most of them do—to the tame conclusion that racially, temperamentally, and traditionally the only government suited to Latin American republics is some form of "despotic democracy" (whatever that means) seems nothing less than a falsification of their own deductions. It is as though they had correctly worked out a difficult functional equation and then spoilt the whole thing by heaving a sigh—of blurred despondency rather than relief—and writing in large letters, "Therefore One equals One". Long years of submission to One would seem to have scared them into a frame of mind when they are fearful of

assigning to a democratic  $x$  any other function or value but that of zero—that being the axiom of the political caste, whose principal effort is directed towards preventing such an axiom from ever becoming a theorem. They might have to prove it. The axiom is that representative government is an ideological whim of dangerous demagogues.

Two instances are often quoted to prove that democracy in Latin America is unworkable.

The adoption of a Constitution on a Swiss model by Venezuela, in 1882, was unsuccessful in its results. That, however, was only because not only the background but the immediate prelude was nothing but absolutism and revolution. But, in the facile phraseology of the uninterested foreigner and the despondent Latin American historian, it is thereby held to be demonstrated that the country was not “ripe for democracy”—as though, by some esoteric horticultural process, democracy could flourish only if grafted on to an already ripe plant (of an unspecified natural order). Venezuela therefore relapsed—or progressed, according to the point of view—into legalised despotism. The president of that republic is General Juan Vicente Gomez, who has guided its destinies for over twenty-five years, and about whom a Stockholm paper recently published the following: “Both the executive and the legislative functions are exercised by the president. He governs at discretion, and his wish is law. . . . The whole country is a sort of personal, feudal possession of President Gomez. . . . On being congratulated on his good roads, the General said: ‘The roads avoid any possibility of revolts. Thanks to them, I do not require any considerable military force or many armoured cars to maintain order and suppress attempts at rebellion.’” Dictatorship does not have to ride rough-shod these days in order to flatten out democracy!

Chile is offered as an even more conclusive example of the practical failure of attempts to apply liberal, representative ideals to the business of government in Latin America. It may be remarked, in parenthesis, that the ideals of what the

exponents of "strong" régimes call practical government do not go beyond the preservation of order—disorder being understood as any manifestation of opinion against the government.

The Chilean case is one of considerable interest. The background—a century ago—is the frankly dictatorial government of men like Carrera and O'Higgins. Then there was Diégo Portales, with an undoubted talent for organisation. He was treacherously assassinated. Thereafter (1851–1871) under men like Manuel Montt and José Pérez, the phenomenon of material progress is to be observed—the kind of progress that is nourished "on bread alone". Then comes (1886–1891) an outstanding figure: José Manuel Balmaceda, "the Reformer"—one of the most remarkable characters in Latin American history. As Minister of Foreign Affairs he had imposed peace terms on Peru, while he had been equally successful in various diplomatic passages of arms with the United States. The whole development of his character is tinctured by success. His achievements in territorial aggrandisement transform the ardent reformer into the no less ardent imperialist. The enormously rich war-booty from Peru converts the imperialist into the constructive consolidator; while continued peace once more turns Balmaceda's thoughts to political reform. The man's character has become a medley of contradictions. Civil war breaks out because the predominant trait in his character had never ceased to be autocratic, and he could not bring himself to submit to the control resulting from the parliamentary system which he himself had introduced. Too proud to surrender on defeat, he committed suicide in the Argentine Legation, whither he had taken refuge. In a letter written the day before he shot himself he said: "The parliamentary system has triumphed on the field of battle, but this victory will not prevail". (It is one of the little ironies of history that the parliamentary forces owed their victory to a Prussian officer!) Balmaceda's prophecy was more or less justified, and by 1927 government in Chile had degenerated into a military oligarchy. But the revolution

which overthrew Balmaceda in 1891 was not really a parliamentary movement at all. It was a plutocratic reaction against a typical representative of the Chilean landed aristocracy, who was a Conservative by tradition, a Liberal reformer by political conviction, and an autocrat by temperament. He could not tolerate the fusion of the Chilean patricians with the bankers and merchants, which is to-day an accomplished fact.

In the letter he wrote the day before his death, Balmaceda said that, in Chile, the real defect was in "parliamentary government such as the triumphant revolution had wished to operate it". Failure of "electoral liberty or serious and constant organisation in the parties, or peace among the groups in Congress", must, he said, naturally spell failure of a system of government which is essentially based on those conditions. But that was precisely what Balmaceda's opponents were working not to allow. The "parliamentary revolutionaries" in Chile were less concerned with imposing a parliamentary system than with deposing Balmaceda. They were not Hampdens, Elliotts, or Pym's insisting on a principle. They were, on the contrary, unprincipled—like "Old George", who played his hand so well that he became Duke of Albemarle. It was Balmaceda who had something of Hampden's political vision and aloof country gentlemanliness in his composition. But he had even more of Cromwell's arbitrary manner, without, however, being able to count, as the Lord Protector could, on the solid backing of the people. For, though Balmaceda had enjoyed popularity from his success in Peruvian affairs, he had not been hailed as the champion of the nation's liberties and—even more important—defender of its purse, as Cromwell had.

The Chileans have been described as a "practical" people—"like the English". The reputation of being practical is a hard one to live up to, and even harder to live down. The English have never succeeded in doing either. There are perhaps some parallelisms between Chileans and English, just as certain

peculiarities differentiate Chileans from other Latin Americans. Racial admixture in the case of Chile is not complicated. In the rest of South America, especially Brazil, race strains constitute an important factor in nationality. In Chile the matter is much simpler: the Spanish overlord, and the Indian serf—that was the starting-point of national formation; while the Andean barrier restricted subsequent outside, Occidental influences. Political development was consequently on strictly feudal lines, reminiscent of England under the Plantagenets, with the inevitable domination of the class known as “landed gentry”. Geographical and geological conditions not only made the Chilean “insular”, but facilitated centralised government. They were an obstacle to that dispersal of interests which, in the days of slow communications, placed large tracts of other Latin American countries at the mercy of the local, hard-riding *caudillos*—the Centaurs, as they have been called, of Latin American politics.

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The final step in the reasoning of those who maintain that Latin American republics can be governed only by Strong Men is to sum up all these considerations and to proceed to the *Quod erat demonstrandum* on these lines:

Of all South American countries, Chile alone offers some aspects of similarity with England. The parliamentary system was tried and, at its very first application, proved a dismal failure, while the very man who tried to introduce it saw that it had failed and said so in writing, with all the sincerity of one staring death in the face. If, therefore, in the only Latin American country with some points of resemblance, however remote, to England—the home of the parliamentary system—that system proved a failure, *a fortiori* must it be a failure in other Latin American countries in which even the remotest points of resemblance to England are lacking. Latin American countries therefore require government by Strong Men, and no system of government which does not allow for the un-

hampered actuation of such Strong Men can be considered as adaptable to Latin American temperament.

Even granting all the premises, the deduction is wrong—for two reasons. In the first place, it has yet to be proved that Chile cannot be governed, and well governed, under a parliamentary system. There was, indeed, a period in her subsequent history when she was. Moreover, the case of Balmaceda—so often quoted to prove that representative government is unsuited to South American “temperament”—is entirely inconclusive. He tried to impose the system (one which at that time had not evolved at all in Chile), and, having done so, he refused to be bound by it himself. That was his tragedy. It does not detract from the sincerity of his dying declaration about the system. The grave difficulty was precisely that it had “triumphed on the field of battle”. That was Cromwell’s trouble too. The parliamentary system in England was saved, not because it had been victorious on the battlefield, but because the uxorious son of a henpecked Scot was willing to be a crowned figure-head, provided he could keep that head from parting company with his shoulders. The political bigotry of Cromwell came near wrecking the doctrine of popular rights which he had vindicated at the point of the sword against the divine right of kings, whose weakness was that they wanted to be Strong Men. The autocratic temperament of the member for Huntingdon came perilously near stifling the political freedom of parliamentary government which he himself had saved by virtue of his fine gift of command.

In the case of Chile, Balmaceda—by the very system he had introduced—had involuntarily cast himself for the political rôle of Charles II, which he was temperamentally unfitted and politically unwilling to play. The part that fitted him was that of Cromwell as Lord Protector. But Cromwell succeeded in ruling despotically only because he was, *qua* despot, merely the casual, autocratic anomaly of a democratic principle. The principle itself was saved, because a Stuart was

handy and—like Barkis—“willin’”. The parliamentary principle failed in its application in Chile, because it had been experimentally introduced as a democratic ideal by a man of autocratic character. The foundations of the Chilean parliamentary structure were neither broad enough nor deep enough at that time. The only country in Latin America where those foundations existed solidly was Brazil. The victory of the parliamentary system “had not prevailed” in Chile in 1891 because democratic principles and systems do not depend, as most Latin American idealists still think, on charters, but on convictions. Faith is worth more than fact.

The autocratic Constitution of the United States has not prevented Americans from holding fast to certain ideals of liberty and believing that they are a free people. The charter—which King John so patriotically opposed and was so reluctantly forced to sign at Runnymede—handed over the people of England, bound hand and foot, as the king perceived it would, to the mercy of the feudal lords, by depriving the common people of their national heritage and condemning them, like their sovereign, to be lacklanders for ever under the heel of the freebooters who called themselves freeholders, and eventually developed into respected (if not always respectable) landed gentry and squirearchs. But the real significance of Magna Charta resided in the illusion it created—eventually. The English have been piously taught, and have become traditionally convinced of the truth of the great historical lie that the document signed at Runnymede is the “bulwark” of their liberty, just as most Americans are equally satisfied that it is to the constitution of Philadelphia that they owe “the principles of a free democracy”. The snare to-day about the presidentialist constitutions of Latin America is less that they engender despotism than that they are known to do so—by the people who live under them. Though the majority of the people of the United States may still be quite convinced that their presidentialist constitution stands for liberty, the

people of Latin America have lost that conviction, which in any case never went very deep.

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The second reason for not admitting the conclusion that a régime of representative government—it is immaterial whether it be labelled by the term “parliamentary system”—is inapplicable to Latin American countries is the rather obvious one that it was applied with signal success in Brazil—till 1889, and with reasonable success in Uruguay—after 1917. Brazil might be supposed to have offered peculiar difficulties, geographic and demographic, for the application of such a system, but it worked admirably.

The Strong Men, however, have succeeded in getting most people to rehearse the articles of their own heresy, and to repeat the parrotry that democracy in Latin America is a failure. But the truth is that democratic government has never been tried at all in Latin America, except in the two cases just mentioned, and then it was anything but a failure.

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However necessary and however successful the actuation of the Strong Men may appear to have been, their domination was rooted in evil. It has produced bloodshed and tortured imprisonments, pillage, and banishment, murder, foul intrigue, and personal and political corruption—for which democracy is blamed!

It was perhaps inevitable that the Strong Men should arise. They were the product of disorders that were evil; but they themselves cannot be classed—at the best—as anything higher than necessary evils. To elevate their status to the dignity of a system worthy to be perpetuated, and to bolster up that pretension by appealing to the material progress often achieved under their blood-stained rule, is illogical, apart from any moral considerations. For the doctrine of the infallibility of the One Man Show has this defect. The whole structure



collapses directly the Man of the Moment disappears. Whereupon the strongest of the Lords-in-Waiting—like the Jews of old—sword in one hand and trowel in the other, puts up another erection on the same plan as the old one. All these successive, gaudily painted contraptions of despotism—gilded with the savings of foreign lenders and plastered with the blood of nationals—are built upon the sand: the shifting sand of terrorism and the shifty sand of expediency. They have no political basis, except that of the forceful implantation of personal rule—mild or terrorist, according to personal whim or circumstances.

The best testimony to the sterility of this form of government is to be found in the long story of Latin American revolts and revolutions against dictatorship, whether arbitrary rule be garbed in constitutional robes or not. In his *Lois Psychologiques de l'Évolution des Peuples*, M. Gustave Le Bon wrote: "The countries of South America (which adopted without exception the presidentialist régime) are under the rod of rulers who exercise an autocracy not less absolute than that of the former Czars of All the Russias, and perhaps even more absolute. . . . Of republics they have merely the name. They are in reality oligarchies of individuals who turn politics into a highly lucrative trade."

Whatever system of political government is best adapted to Latin American countries is a matter of individual opinion. What is certain is that the actuation of the Strong Men, whether Liberators, Consolidators, Dictators, or constitutionally elected, presidential Despots, has never failed to be productive of strife and bloodshed.

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Brazil had been spared that dire tradition of tyranny and autocratic despotism. She required no Strong Men to help her place her political house in order. She had gone ploddingly forward from the status of a Portuguese colonial possession to independence, and from independence to constantly

widening political liberties and self-government. The most she required was a tonic. And yet, by what seems in historical retrospect an inexplicable and tragic fate, at the very moment when many of her neighbours were hoping and striving—ineffectually—to escape from the bondage of despotic government and autocratic oppression, Brazil was destined in 1889 to inaugurate a system of government which constitutionally legalised the very forms of despotic government from which she had hitherto been immune. She took down from the political pharmacopœia the potent and drastic remedy against a malady from which she had never suffered. For nearly fifty years she has been trying to swallow it—and she has not yet succeeded.

When Rojas Paul, President of Venezuela, heard of the downfall of the Brazilian monarchy, he exclaimed sadly and prophetically: "That is the end of the only republic that ever existed in America."

## CHAPTER IV

### THE *CAUDILLO* TRADITION

WRITING in 1906, a Bolivian author—A. Arguedas, in his *Pueblo enfermo*—pointed out that from 1825 to 1898 there had been more than sixty revolutions in his country; six presidents had been assassinated and many others had died in exile. Venezuela suffered from fifty-two revolutions in one century. Up to 1901 there had been twenty-seven civil wars in Colombia. To complete and elaborate such statistics would take one almost into the realms of higher mathematics. It is quite true that in searching for the causes of such unhappy events—common to all Latin American countries—a whole series of racial and political antecedents have to be considered. But, even so, one fact stands out very clearly as a constant factor, viz. that the presidentialist system of government in every single country that has adopted it has been synonymous with unrest, bloodshed, tyranny, and violent opposition to tyranny. The gangster phenomenon in the United States was nothing but a perverted form of revolt against a legal tyranny.

The word *caudillo* is a difficult one to translate. The *caudillo* is the Latin American successor of the old Spanish *cacique*. He was the local political boss, because he was the strongest or cleverest or most unscrupulous man in the locality. In *Les Démocraties Latines de l'Amérique*, Señor F. Garcia-Caldéron refers to two kinds of *caudillos*: the violent, who were chiefs of armed bands and dominated the countryside by terror; and the astute—the *rusés*—who at a later, more developed period succeeded the violent *caudillos* and kept their

power by lies, intrigues, subterfuges, and corruption. "The régime of the *caudillos*", says the Peruvian author, "leads to presidentialist government. The Constitutions establish assemblies, but in spite of such theoretical forms the tradition triumphs. Since the Colonial epoch, centralisation has been the typical American form of government." Everything, he points out, is in the hands of the President—army, navy, the administration of justice, majorities in Congress, financial and civil administration, "just as, before the republican era, the supreme direction belonged to the viceroy". Thus, the presidentialist form of government was the logical outcome of the arbitrary rule of the *caudillos*, in constitutional form.

It is perfectly true that most Latin American countries could not have been expected to pass straight from autocratic despotism and violence—the legacy of the Spanish viceroys—to liberal, parliamentary institutions. But it is equally true that, in their natural search for ampler forms of personal and political liberty, the Latin Americans fell into the error of adopting forms of Constitution which, in the absence of any extra-constitutional restraining customs or influences, simply resulted in legalising the old *caudillo* tradition. In their desire for a strong defender of their new theoretical liberties, Liberators and Restorers, sincere republicans and ardent reformers sought for a constitutional system which should place ample powers, for a stipulated period, in the hands of the chief of the State, who was—with the collaboration of Congress—to defend the new liberties of the people. What they achieved in practice was the placing of unlimited powers in the hands of one man, whom Congress could not control, and who could and did, either by sophistry or by violence, by sometimes obeying the letter of the Constitution and by always betraying its spirit when it suited him, act the despot in his own interest and in that of his satellites, without any consideration for the liberties of the people. As for the constitutional time-limit, even that could be and was overstepped, as in Mexico under Porfirio Diaz, and in Venezuela to-day.

The Latin American Constitutions were to be charters of liberty. What they actually produced was political slavery and a perpetuation of the *caudillo* régime. The strongest of the *caudillos* became the legalised Panjandrum, who might step down in favour of some friend in his own political clique, or for some personal convenience of his own; but who could not be removed, except by violence, if he chose to stay, and who could not be prevented, except by violence, from putting some protégé into office or allowing the dominant political caste, to which he himself perforce belonged, to do so.

Some years ago Prince George of Serbia explained to the wife of a diplomatist at Belgrade, in a burst of boyish frankness, why he had displayed extreme shyness on a certain public occasion. "Vous savez, Madame", he said, "nous sommes venus au trône d'une si drôle de façon!" The strife for blood-stained presidential thrones in Latin America is nothing but a feud between the local Obrenovitchs and the local Karageorgevitchs, and what cramps the style of even the best-intentioned presidents in Latin America is that they have invariably come to the throne "*d'une si drôle de façon*". The difference between the United States and Latin America in that respect is merely one of degree and not of kind. The *caudillo's* satellites have not yet fully appreciated the advantages to be gained from caucus clubs, and the Latin American political caste has not yet convinced itself of the immense superiority of the direct methods of Tammany Hall over the rather oblique and highly complicated intrigues of the Spanish camarilla in making a political perquisite of the republic.

These aspects of Latin American politics have considerable bearing on Brazilian republican government, for, by adopting the presidentialist régime in her republican constitution, Brazil became a collateral heir of the *caudillo* tradition.

## CHAPTER V

### POLITICS AND THE MILITARY

THE uninitiated are often perplexed to discover why the Military as a class plays such an important rôle in Latin American politics to-day. There are historical traditions as well as immediate motives to account for the fact.

If the whole story of the "liberation" of the Latin American countries from the metropolis be remembered, the historical reason will be apparent.

Independence, obtained by force of arms, was immediately followed by civil wars, guerilla feuds between rival *caudillos*, and promiscuous fighting and intrigue, in which adventurers of all nationalities played a part. Simon Bolivar, the Bayard of "liberators", occupies a place apart. His ideals and actuation were on a plane so high that the other "national consolidators" never even saw it, much less strove to reach it. The latter, however sincere their motives in some cases, were mere nomad chiefs. Half a dozen names chosen at random will show that this was so. Florès of Ecuador, and even the mystically patriotic Garcia-Moreno, who fell by an assassin's knife on the Cathedral steps at Quito, were, in spite of the organising ability of the one and the intellectual strength of the other, just turbulent barons. Santander in Colombia, Santa-Cruz in Bolivia, and O'Higgins in Chile, like typical Irish intriguers, also loved a scrap. Ramon Castilla in Peru, Rivera and Lavalleja in Uruguay, and Quiroga in the Argentine (whom Rosas had "eliminated") were a mixture of gangster and fanatic. Carrera and Morazán in Guatemala, Santa-Anna and Juarez in Mexico, and Paez in Venezuela were just bold, bad cowboys with a taste for speechifying.

These and all the other *caudillos*, *llaneros*, and *gauchos* were essentially marauding free-lances—clan chieftains and border raiders, like any Percy or Douglas.

That is the historical background: independence by force of arms; consolidation by suppression; charters of liberty by incarceration; domination by terror; and material progress by corruption. The consequence was that, later on, the rather battered and bedraggled beldam of Liberty was recognised as being on the side of the big battalion commanders, who naturally found no difficulty in seeing in the Army—and especially in themselves—the historic heirs of the republican tradition, cast for the rôle of paladins of republican “liberties” and vigilant defenders of “the true revolutionary spirit”. The latest title they have bestowed on themselves in Brazil is “grenadiers of national order”.

Modern political chiefs in Latin America have found it convenient to flatter that historic belief, and the presidentialist system has made it inevitable that they should do so. Political issues in American republics have always, and not least in times of material progress, been clouded by the machinations of self-seekers and speculators as well as by the aberrations of a kind of pectoral theology as applied to government. Presidential succession in Latin America has been as prolific of war, bloodshed, and intrigue as the Salic Law with its Wars of Succession and its Bavarian Potato Wars. Moreover, the trouble is endemic to the system, so that—quite apart from the fact that personal issues cannot be entirely divorced from politics under any system of government—what happens under the presidentialist régime is that personal interests assume paramount importance, to the exclusion of almost all other considerations. Under that régime, Ministers of State do a little administrative work in their spare time, and, considering how little spare time they allow themselves, they do it rather well. But their longer ministerial conferences and their best energies are devoted to personal politics.

In this oppressive atmosphere of political intrigue the Army

plays the part of stormy petrel, because in the windy régime of presidentialism, government depends not on the strength of public opinion or the force of argument, but on the force of arms. It is not so much among battalion commanders that there is any "revolutionary spirit". Such officers are usually fully occupied in attending to their professional duties. The "revolutionary spirit" is sometimes to be found among the "hair-brained Hotspurs" of the military academies who are inclined to talk rather wildly about their "regenerating mission" in life. But it is the general officers entrusted (after quick political promotion) with district commands who are so often governed by some political spleen or moved by some specious argument to come forward and "save the nation". It is obviously within their power to make or mar a president or a revolution—and they know it; for they are wooed by those in power with a fervour that would have made "Anthea" turn green with envy, and by those not in power with a passionate devotion that would have caused the dedicatee of *Widmung* to think she had been scurvily treated by Rueckert and badly let down by Schumann. The proportion of active Army officers whose even more active participation in commercial affairs is winked at is simply amazing. It is the best paid profession in Brazil, and the one offering most advantages of every description.

In some Latin American countries to-day the generals, always "in the best interests of the nation" of course, apply a dose of Pride's Purge to politics and take charge of matters themselves. That is because the political charmers have not been able to charm wisely enough, or because ambition frets the more political-minded officers. In nine cases out of ten, the rank and file just obey—the more readily because they consider themselves as a class apart, being members of an organised caste and therefore disposed to regard the undisciplined civilian with some disdain. All this is a continuance, modified by modern conditions, of the *caudillo* tradition. But whether the military, having thus directly intervened in



politics, then form an oligarchy or a dictatorship under one of their own chiefs, or whether they back a civilian figure-head, the result is the same. The Army is highly paid by the nation which lives in fear of it, whether it is directly ruled by it or not, for the Army claims that traditionally it has liberated the nation and consolidated, if not created, the republic. That is the Army's tacit pretension, even when it is not noisily alleged.

The position of the Army in Brazil was, however, until recently rather different from that in other Latin American countries. The *caudillo* tradition does not exist in Brazil (except by recent collateral affiliation); it is therefore alien to the history of the Army. The part played by the Army in the foundation of the Brazilian Republic was really against all its traditions. But the Army's attitude on that occasion created a new and unfortunate tradition. The Army began to be considered not as the defender of the country, but as the protector of those it had put in power. It thus became the perpetual upholder of a dominating political clique, and itself subject to the undermining influences of disgruntled politicians. Some of the best elements in the Brazilian Army are much concerned by this aspect and its inevitable results. The existence of this feeling of dissatisfaction partly accounts for the fact that in recent disturbances in Brazil, especially since 1922, the Military, as a class, has betrayed symptoms of disunion. Another partial cause is that the political virus has begun to affect discipline and to cause disintegration.

Intervention by military officers in political affairs in the MacMahon or Boulanger style may, at certain moments in a nation's history, appear excusable or even necessary. But when breaches of discipline in all ranks of the army for "political motives" are so constantly occurring as to be petty, everyday occurrences, considered at the worst as trifling misdemeanours which, far from retarding promotion, may facilitate it—then it is clear that a disciplined army may quickly degenerate into an armed mob. The rank and

file may intuitively obey the word of command, but the instinct is to doubt. The bugle no longer gives a certain sound, and reflection leads to questions as to the moral necessity of obeying those who are known to have publicly disputed orders they have themselves received, or who are suspected of having privily conditioned their own attitude of military obedience to some personal advantages or to something quite outside military affairs or army discipline.

The evil effect of this political virus is accentuated by two further circumstances.

There are thirteen widely separated military districts in Brazil—from the Amazon to Rio Grande. In spite of the fact that aerial, telegraphic, and telephonic communications to-day tend to a rapid reduction of the time-factor, it is nevertheless true that the Federal garrisons throughout Brazil are isolated groups, the discipline and efficiency of which as Federal units depend to a large extent on the “loyalty” of the officer commanding the district. That is the first circumstance. The second is that each of the twenty states in Brazil maintains its own local military police. The official function of the latter is to preserve local order, but its implied and really important function is to defend local autonomy. Vassals are always jealous of the power of the overlord! The normal aggregate strength of those local forces is considerably over forty thousand men, the regular establishment of the Federal Army being about one hundred thousand, all told. In S. Paulo, before the 1932 *Putsch*, the military police were fifteen thousand strong, and especially in that State and in Minas Geraes and Rio Grande do Sul such forces constitute fully equipped and veritable armies in miniature. (In Rio Grande do Sul—the “home” of the late Provisional Government of Brazil—there is, besides, a special “provisional” army to-day of thirty thousand men!) Whenever, therefore, there has been any talk in Brazil of political faction becoming violent and degenerating into a local armed movement, the first consideration of the central authorities has been to estimate

the strength of the local military police and its efficiency at that moment. The second, to ascertain what is the disposition of the local Federal garrison in the particular matter. Can the Federal troops be relied on in the district in ebullition, or have they been "contaminated" by fraternising with the local military police? Have the Federal officers of the local garrison been got at by local political elements to make common cause with the local movement against the central authorities? If not, will the Federal garrison be neutral, or will it turn its arms against the local military police, if the central authorities so order? Have the Federal non-commissioned officers been suborned by local political elements behind the backs of their company commanders? These are the first questions asked; and it is clear that much depends on the answers.

With all these undermining influences, with political intrigue hard at work trying to permeate all ranks of the Army, with ill-considered political interviews and declarations in the Press by both senior and junior Army leaders—for, in politics, the juniors are as much leaders as the seniors!—becoming an almost hourly occurrence, and with the political activities of all grades of officers being common knowledge, it is nothing short of marvellous that the Army has not long ago become completely demoralised. That it has not yet done so is a tribute to the steadiness and self-sacrificing efforts of a fine leaven of loyal officers, whose moral outlook is on a par with their professional pride. A Brazilian general officer recently had occasion to define his position. He said he was the grandson of a "legalist" and the son of a "legalist", and that the only occasion on which he had intervened in a revolution was to stop it. Nobody can quarrel with that statement as a personal declaration. But it expresses no solution of the permanent position of the Army *vis-à-vis* the country. It is, on the contrary, the clearest proof that the Army is constantly being faced with questions about "legality" which it should never be called upon to decide. It is an involuntary condemnation of the absolute inadequacy of the political

machinery of the country and of its corrupting influences. If the Brazilian Army has hitherto been able to resist such influences, it cannot be said to have been impervious to them; so much so that, by March 1934, the Constituent Assembly having shown conclusively that far from defining any currents of national political opinion its activities were confined to displaying its agility in boxing the compass, talk of Fascistic military dictatorship in Brazil became common.

But Army intervention—as openly advocated in 1934 by the Third of October Club inspired by junior Army officers—was universally felt in Brazil to be less a form of salvation from any political impasse than a manifestation of the political ambitions of various Army leaders, if for no other reason than the very obvious one that the composition of the Constituent Assembly had been so “pre-arranged” by the Provisional Government that it had as little to do with public opinion as the Provisional Government itself! All the latter had in view when it cleverly contrived the elections to the Assembly was to secure a collection of voting-dummies, garbed in the democratic robes of framers of a constitutional charter. The pre-determined function of the majority of that Assembly—whose election had been forethoughtfully permitted only on that condition—was to approve all the acts of the dictatorship since November 1930 and vote some sort of a Constitution, by the terms of which, or of some ancillary law, there should be no appeal by any citizen to the Judiciary from any previous act of the dictatorship! The real, fore-ordained scope of the Assembly was, besides, to fortify the presidentialist régime—with whatever new and innocuous embellishments might seem most decorative—while the immediate aim of the Government which had called the Assembly into being in November 1933 was that the constituent members should convince themselves that they had a sacred duty as well as a tacit mandate from the nation to maintain the head of the Provisional Government in power *in secula seculorum*.

If, therefore, the Army, from patriotic motives, felt called

upon to intervene at that juncture, the obvious thing for it to do was merely to guarantee public order while a real consultation of public opinion was held. That was what sensible Brazilians thought about the composition of the Constituent Assembly and about the talk of military Fascism in Brazil. But the intervention of the Military in the 1891 Constitution seems to have distorted the outlook of the Brazilian Army irremediably.

In his *Life of George Washington*, Washington Irving relates that on one occasion in 1781 General Howe was sent to deal with a "sergeants' revolt", and that George Washington's instructions to him were: "You will also try to avail yourself of the services of the militia, representing to them how dangerous to civil liberty is the precedent of armed soldiers dictating the laws to their country." The meaning of civics is not to be gleaned from the manuals of any Fascist disciplinarians!

A few weeks after the proclamation of the Brazilian Republic in November 1889, a decree was issued giving extended political rights to Army officers. The preliminary considerations justifying the measure account—proleptically—for the situation of the Army to-day. They also demonstrate the influence of an ill-digested Positivism at the time and its effect in creating the peculiar tradition of the Army in Brazilian politics. The following are the three main justificatory clauses:

Whereas it is urgently and undeniably necessary to perfect and complete the education given in the schools set apart for military education and instruction, in such a way as to meet the great improvements in the art of war, reconciling the demands thereof with the highly civilising, eminently moral and humanitarian mission which the future has in store for the Armies in the American continent;

Whereas the soldier, an element of force, must from to-day onwards be the armed citizen (*sic*), the corporification of national honour and the important co-operator of progress, in which he

is the guarantee of public order and public peace, the intelligent and well-intentioned stay of the republican institutions, but never the servile and malleable instrument by mere passive and unconscientious obedience which degrades the character, annihilates stimulus, and lowers morale;

Whereas, for perfect comprehension of this elevated mission, in the bosom of society, as the most solid prop of the well-being, morality and happiness of the country, the soldier requires a succulent (*sic*) and well-directed scientific education, etc. etc.

The rather caustic comment of Senhor Raymundo Teixeira Mendes, who was at that time vice-director of the Church of Humanity at Rio de Janeiro, was that the new regulations were nothing but a pretext for organising a new class of *pedantocrats* by transforming Army officers into directors of the civilian elements in the community. Anatole France had not then uttered his famous aphorism that the religious conception of Auguste Comte turned existence itself into a geometrical figure!

The Military Question of that time was nothing but a move for higher pay and quicker promotion under the plea of the right to participate in politics, though the political aspect became, in another way, of paramount importance subsequently. It was, however, far from the intention of Marshal Deodoro da Fonseca to precipitate a change of régime when he went to see the Prime Minister on November 15th, 1889. The most he wanted was to force the Cabinet to resign, on the pretext that it had been bruited about that the Imperial Government intended to disband the Army. In the atmosphere, however, sedulously created by a number of ambitious young lawyers in a section of the Brazilian press—for, in those unregenerate days, the Brazilian press did not know the republican joys of censorship—and particularly in the highly inflammable mental environment which Professor Major Benjamin Constant and his adepts had consistently and successfully laboured to bring to fever-heat among the cadets and junior Army officers, what Marshal Deodoro said or left

unsaid when he interviewed the Prime Minister was of minor importance. The significant fact was the state of mind of those outside the conference room and their reaction to the circumstance that, at a moment when the political atmosphere was charged with electricity, a senior representative of the Brazilian Army had bearded the Prime Minister of the Empire of Brazil. Even the actual result of the interview was relatively insignificant, for it mattered little whether the Army's claims were granted or rejected. It was too late for that to matter. Major Benjamin Constant and his friends stood ready to fire the train at one end, and they saw to it that the visit of Marshal Deodoro to the Prime Minister should have such symbolic force in the eyes of the nation, and especially of the Army, that the train should be simultaneously, though involuntarily, fired from the responsible end of high command. They thus suddenly exploded a monarchy and were faced with the task of creating a new order of things out of the debris. Professor Benjamin Constant was an excellent mathematician and a dabbler in positivist philosophy. It is characteristic of a certain type of Brazilian mind that it has no hesitation in availing itself of the first opportunity to put its own speculative dilettantism to the test by experimentalising with the politics, finances, and economics of the nation. The erratic empiricism of republican administration in Brazil, even at its most honest, is largely to be explained by this mentality. As in 1930, so in 1889, the younger Army officers had a great deal to say in the provisional administration of the country—with this difference: in the early republican days the "provisional" government lasted for less than eighteen months (in spite of the national upheaval caused by the overthrow of an Empire and the troublous passage to a Republic); whereas, the "provisional" government of 1930 lasted nearly four years, without the excuse of any national upheaval at all, and merely because the guides to a Promised Land could not make up their minds to leave the flesh-pots of Egypt behind them. *Tenentismo*—or the rule of lieutenants—was

no new feature in 1930. It had its roots in the intervention of the Army in the declaration of the Brazilian Republic. The doctrine of military Fascism in Brazil to-day is merely a new label tied round the old bundle of military pretensions of 1889. The results may be equally interesting.

In a book published in 1925, called *O Militarismo na Republica*, a Brazilian lawyer, Dr. José de Souza Soares, referring to certain aspects of the intervention of the Military in Brazilian politics said that "whenever the armed classes desire to obtain something in their interests, it is always the producing elements of the Brazilian community, viz. those who pay onerous taxes to the coffers of the nation, who suffer; and then the Army proclaims that the Republic is its exclusive product! . . . The armed classes ought for the good of Brazil to follow a new direction. . . . Brazil does not want an Army that is a mere machine. But the Brazilian people does not want an Army of disorder either."

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The traditions of the Brazilian Navy are highly honourable. It is of historic interest to recall that the Navy was perforce drawn into the vortex of unrest that arose from the arbitrary rule of the first two presidential dictators of Brazil, who were both Army officers. There was, however, no question of professional jealousy, for the Navy, as might be expected from the nature of its functions, is less susceptible to any purely political influences than the Army.

In 1891 Admiral Custodio de Mello had been one of the signatories of a manifesto protesting against various acts of the President of the Republic, Marshal Deodoro. That manifesto and the subsequent attitude of the Navy, in conjunction with certain political influences, led to the President resigning his office "into the hands of his legal substitute", Marshal Floriano Peixoto. The change, as far as the nation was concerned, was from whips to scorpions, and in 1893 Admiral Custodio de Mello resigned his portfolio as Minister of



Marine, proclaiming in September what became known as "The Naval Revolt of 1893". The revolt ended unsuccessfully in 1894, in spite of the very gallant efforts of Admiral Saldanha da Gama to make it a success. It had aimed at accompanying and supporting the revolution in Rio Grande do Sul, and it failed, as have most revolutions in Brazil, for lack of adequate preparation, from divided counsels, and from doubts as to what was aimed at. The real objectives, though inspired by very real grievances, were vague or at least incompatible. The Rio Grandenses had in view a return, under the Republic, to the former political liberties enjoyed by the nation under the parliamentary régime of the Monarchy. Custodio de Mello, on the other hand, wanted a "proper application" of the new republican Constitution; while Saldanha da Gama advocated a plebiscite to choose between a Monarchy and a Republic. This Liberal movement in Rio Grande do Sul was a fine effort—finely inspired. It was the first and the last really Liberal effort in republican Brazil. The dying embers of the movement were stamped out with a brutality and savagery that constitute one of the saddest pages in Brazilian history.

An illustration of the fact that most revolutions in republican Brazil have been made in the name of the Constitution is afforded by Custodio de Mello's original manifesto which precipitated the Naval Revolt of 1893. The Admiral declared that he was waging war "against those who are destroying the Constitution" and was fighting "to restore a régime of law, order, and peace. . . . Long live the Constitution!" That is the prototype of all revolutionary manifestos in Brazil to this day—"Long live the Constitution!"

Since 1894 the Brazilian Navy has taken no part in revolts or revolutions on its own account, though it has sometimes acted for the central authorities in making demonstrations, or doing a little promiscuous bombardment of contumacious state capitals—"to maintain constituted authority". The revolts of 1910 and 1911 were internal affairs, i.e. mutinies against corporal punishments in the Navy. An isolated unit

took a spectacular but ineffective part in the revolutionary troubles of 1924.

The same danger, however, that besets the Army threatens the Navy, viz. that, owing to the defects of the presidentialist régime, the Navy may become increasingly involved in politics and political intrigues.

## CHAPTER VI

### THE PRINCIPLE OF AUTOCRACY

THE framers of the Brazilian Constitution of 1891 hitched Brazil's political wagon to the Stars and Stripes, not from conviction, but because they found it convenient to do so. They had to invent something to justify the unexpected overthrow of the Monarchy. Moreover, other Latin American republics had more or less copied their basic, constitutional law from the United States, and for the new Brazilian Republic to have adapted French or English parliamentary methods to her new régime would have been merely to confirm the evolution of the political liberties enjoyed under the Brazilian monarchy. That would have been far too tame a beginning!

It was not the existence of a crowned head that had bothered the republicans under the monarchy. It was the Crown that had obsessed them. Their psittaceous cry had been, "The monarchy must be destroyed!" But when the republican Catos had done it, or rather had it done for them, they found they had nothing to put in the place of the liberal régime of a constitutional monarchy. To have reformed the political system which had developed under the Empire and to have brought its application up to date would have made a really free country of Brazil. What was at stake, however, was not to give greater freedom to the individual. The citizen-subject had been slowly but surely getting that under the monarchy. What was at stake was to give to the new subject-citizen the illusion of a brand new Constitution as the only solid guarantee of republican liberty. The illusion did not last long! The republican constitutional law was passed on February 24th,

1891. On November 3rd of the same year the first constitutional President of the Republic dissolved Congress and declared a state of siege. All subsequent Brazilian presidents, with but two exceptions, have paid him the homage of the sincerest flattery by imitating him! But they have not had to go to the unconstitutional length of dissolving Congress. Practice makes perfect. They have taken the state of siege in their stride—towards despotism, with the servile approval of Congress. The Brazilian people was drilled into acquiescence in republic liberties by the highly persuasive methods of the sergeant-major.

In his *History of South America*, published in New York in 1904, Mr. Charles E. Akers gave an opinion which is pretty generally held outside Brazil, and particularly in the United States. He said that "the Law of the Constitution of 1891 was on lines that presupposed the population of Brazil to equal that of the United States in capacity for self-government". That is hardly correct. Whatever the "capacity for self-government" of the United States was or may be, the operation of the parliamentary régime under the Brazilian monarchy had conclusively proved that the "population of Brazil" was peculiarly capable of self-government. The framers and more particularly the executors of the Brazilian Constitution "presupposed" exactly the opposite. They "presupposed" that Brazilians, having till then had no experience in republican government, had no capacity for self-government at all. Even the late Viscount Bryce, when he made his hurried trip to South America twenty years ago, missed the point. He could not indeed bring himself to say, in the book he published as the result of that breathless scamper, that Latin American countries were real democracies. What he hinted was that they had not known how to apply the model of the United States Constitution because they were temperamentally incapable of doing so. But the real flaw was in the American Constitution itself, though perhaps it would be too much to expect that the erudite author of *The American Common-*

*wealth* should have said so at a time when he was His Majesty's Ambassador at Washington!

On the matter of "temperament" (the *deus ex machina* which foreign scene-painters let down to camouflage their invariable failure to portray Latin American conditions) M. André Siegfried, in his *Letters from South America*, makes a curious and challenging statement. He says that "South America expresses herself in her leaders, in response to a basic trait in her political temperament; after all, she rather likes arbitrary rule". Does she? It might be interesting—it would certainly take very long—to count up how many thousands of revolutions there have been in South America and how many hundreds of thousands of lives have been sacrificed, just because South America does *not* "like arbitrary rule"! The fact that people who yearn despairingly for liberty, and are willing to die fighting for it, fall out of the frying-pan into the fire does not alter the fact that they want to be free. Self-seeking politicians constantly exploit the normal desire for freedom in the normal man for their own purposes, and even sincere revolutionaries, when they are successful, seem incapable of evolving any régime of political freedom, but spend their time "consolidating the revolutionary idea" by harsher and more arbitrary methods than those they purported to overthrow. But all that does not justify the inference that South Americans "rather like arbitrary rule". It simply means that Latin Americans are victims of high-sounding phrases. They fail to perceive that, as Disraeli said, "institutions alone can create a nation", and that precisely for that reason the important thing is not to have one cast-iron, sophistically worded Constitution, which may be "theoretically satisfactory from a republican standpoint" (which is how an American author summed up the Brazilian Constitution), but a few liberal laws and institutions adapted to a workaday and imperfect world, and practically satisfying, nor from any "republican standpoint", but to human wants from a human standpoint.

M. Siegfried is quite right when he says that South America "expresses herself in her leaders". But that has really nothing to do with South American political temperament, as M. Siegfried supposes. Other countries do the same. In South America it has to do with the fact that the leaders intoxicate themselves and others with the "exuberance of their own verbosity", and all practical considerations are forgotten. In their *Letters on Paraguay*, written a century ago, the Robertson brothers noted that "the imagination of the South American is always at work, and he strives, perhaps unconsciously but continuously, to show things as they ought to be, and not as they really are. When we hear him discourse in brilliant and eloquent terms of 'civil liberty', 'liberty of the press', 'liberal education', and 'constitutional law', we might imagine there existed a tolerably good foundation of all these blessings, just because he talks so much about them". That might seem to justify M. Siegfried's expression "political temperament". But the phrase, though perhaps convenient, is vague. It is, indeed, as incorrect as most vague definitions are.

No boy or girl outside *Iolanthe* can be said to be born with a political temperament, or to have any natural tendency or predisposition in political matters. Political conceptions depend on environment, tradition, education, and experience; and to sum up South American political conditions as due to some "basic trait in political temperament"—an opinion almost universally held about South America—is simply to avoid the issue and vitiate the verdict. It is a form of *hysteron proteron* reasoning. Certain grave defects in the political conceptions and in the civic education of South Americans are to be traced, not to temperament, but to the even greater defects of the oppressive charters of theoretical liberty which have been foisted or imposed on them as "free constitutions".

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The antecedents of the Constitution of the United States were quite different from those which obtained in Latin

American countries prior to their political independence. The constitutions of all American republics make for autocratic rule, and when the new Latin American republics modelled their charters on the United States Constitution they merely achieved despotic government, for there were no antecedent, restraining forces outside their constitutions to prevent it. But, dazzled by their North American neighbour's phenomenal material progress, which they erroneously attributed to some virtue in her "free constitution", their own efforts to obtain political freedom were futile, for they never took the trouble to probe the real cause of their own social and political maladies. Even to-day they fail to perceive that they will never have liberty, except in name, under their existing "free constitutions", and that they would probably be much better off without any constitutions at all.

The Monroe Doctrine is anathema in Latin America—except at collar-and-cuff conferences where it is the skeleton at the feast—and Latin American authors write stinging indictments on the dangers of United States imperialism and the "Yankee Octopus". But by atavistic fatalism,\* derived from Moorish and native Indian strains, Latin American intellectuals accept the United States Constitution as Al Koran, and consider tampering with their own constitutional laws to be not only futile and in rather bad taste, but fraught with danger to the very foundations of liberty. They seem to confuse their Statutes of Liberty with liberty itself, much in the same way as the Statue of Liberty, by some mystical process of idolatry, gives to some sentimental beholders the comforting illusion of freedom.

Attempts (of which *A Política Geral do Brasil*, by Senhor José Maria dos Santos is the most recent and most profound)

\* This is manifested in an attitude of passivity in the face of any problem which, if really difficult, is indolently given up as insoluble. That attitude is merely one of mental inertia. It has nothing to do with the actively virulent *amor fati* which Nietzsche nearly succeeded in converting into a philosophy before he was shut up in a lunatic asylum. The Latin American is not a very reasoning optimist; but he is quite a reasonable one.

to analyse the real worth of American republican constitutions have been few and have been studiously boycotted by interested politicians, but they are beginning to attract the attention of the public. Any South American politician who is driven to admit that political freedom is non-existent in his country will get out of the dilemma by saying airily, "But then, you see, we are such a young people; we have not the political traditions of you older nations", and he will then proceed to a public assembly to make a passionate defence of his country's constitution as the very bulwark of liberty. Such bulwarks, however, are to-day nothing but obstacles to liberty, however noble the sentiments that inspired their builders and architects. Moreover, behind those bulwarks a numerous caste has grown up that has every interest in propagating the idea, which to the unthinking man in the street seems quite plausible, that to attack a "free" constitution is treason, for it is an attack on freedom itself. "A republican constitution", these professional politicians proclaim, "is the charter of freedom from hated tyranny. No real patriot would dream of trying to undermine the very corner-stone of liberty". The difficulty of demonstrating to the public the emptiness of such rhetorical absurdities is that it requires a man of considerable courage to take up the cudgels in defence of liberty by appearing to attack it. His sincerity will be questioned, even if his motives be not impugned. He will, moreover, be ostracised by the political caste, and he will obtain but little moral support from even the few politicians who may—academically—agree with him; for their most pressing concern is not with ideals or even ideas, but with securing their mess of political pottage. At the best, these political Sancho Panzas will merely smile disdainfully at him as an intellectual tilter at windmills.

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For a revolution to achieve anything there must be honest and profound conviction. But Latin Americans have arrived



at a stage when they have few convictions left about anything. Their faith would hardly remove a molehill. Their constitutional Zadoks and their revolutionary Nathans have anointed too many presidential kings whose wisdom has been anything but Solomonic. The people are too much disillusioned to do any rejoicing about all that. But they are still prepared to back a revolution—rather in the frame of mind of the gambler who will back an outsider.

Revolutionaries in South America do not, as a rule, dispense with the plumes and spurs, and all the panoply of fiery war and even more fiery manifestos. The rôle assigned to the Army—or assumed by it—is that of “defending the spurned liberties of the people against the tyrants who are violating the sacred principles of the Constitution”. Latin American revolutionary leaders do not raise the Standard of Revolt, but the Banner of the Constitution. That is, in fact, the trump card of the professional politicians; and it is for that reason that, in power or out of it, they are strongly opposed to any attempt to amend the really vital part of their basic charter, i.e. that part which confers despotic attributes on them when they are in power, while furnishing them with an admirable excuse for “defending the constitutional liberties of the people” when they happen to be out of office and are not likely to get back by the peaceful penetration of political intrigue. Their real motives of *Ôte-toi de là, que je m’y mette* are then admirably masked behind a barrage of highfalutin phrases about the traitors to the Constitution in office. Revolutionary leaders never talk much about “traitors to the country”. It is always the “sacred principles of the Constitution” that have been betrayed or violated, and must therefore be defended.

That argument sometimes serves those in power too. The most unrestful period of government in modern Brazil was undoubtedly the 1922–26 period, when the whole Brazilian nation—almost to a man—was profoundly opposed to the President in power. When, in 1924, armed “rebellion”

was at its height, a Government Minister put into circulation a coined phrase to differentiate those who were with the President from those who were against him—in opinion merely. The former were “good Brazilians”, while the latter were “bad Brazilians”—a definition as specious as it was simple. The adversaries of a tyrannical régime engendered by a free Constitution were just “bad”.

The presidentialist “free” constitution offers subtle temptations. When the S. Paulo leaders made their ill-timed attempt against the Provisional Government at Rio de Janeiro in 1932, the first thing they did was to hoist the Banner of the Constitution. But the Brazilian people is beginning to see through that device! Their sceptical comment was that the discretionary powers of a Provisional Government without a Constitution were pretty much the same in their effect as the despotic powers of elected governments with one; and that, further, those self-same despotic powers had been so often, so dexterously, and so “constitutionally” wielded by the professional politicians of S. Paulo in the past. The value of the “liberal” intentions animating the S. Paulo politicians at that time may be gauged from the fact that they decorated the walls and the taxi-cabs of their city with printed incitements to the people to *lynch* anybody who ventured to disagree with them! Some of them have recently come out into the open and definitely stated that their real objective was not to get a constitutional law passed, but to dethrone the Head of the Provisional Government, with whom—as might have been anticipated—many of them subsequently made their peace, with great *empressement*!

The Constitutional Banner in Brazil is nothing but a standard length of impressionist bunting draped—as gracefully as may be—to conceal the grim outlines of the fortress of feudal despotism.

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It is a sad but striking commentary on the so-called virtues of “free” constitutions that never was there any real unrest

in Brazil until she was blessed with a republican constitution on the presidentialist model.

In spite of the manifold political vicissitudes—including the abolition of slavery—which occurred during her seventy years of parliamentary government, Brazil was entirely free from the scourge of *pronunciamentos* and from the wild, revolutionary disturbances that plagued other Latin American countries. The military *coup d'état* of 1889 was a tragedy—not for the monarchy, but for the republic. Such military intervention in politics was then something quite new in Brazil. It made law lords of lawless soldiers. The republican Constitution was drawn up by the republican Scribes and positivist Pharisees to the sound of the bugles without, and the rattle of sabres and the jingle of spurs within, as the Military—flushed with the pride of throne-topplers—swaggered through the ante-rooms of the Ministries. But some of the best elements in the Brazilian Army to-day—inheritors of the best traditions of the Army then—are growing tired of seeing their profession degraded into one of keeping politicians in power or turning them out. The stumbling-block of presidentialist constitutions is that there is no room for opposition to “constituted authority” except violent opposition; while there is always the chance that the Military may try to solve the riddle *manu militari*.

A European critic recently wrote that “the lack of respect for the Constitution is really an unhealthy feature” in Latin America. That statement lacks discernment, and is a complete error of diagnosis. It is the Constitution itself which is unhealthy. And it is lip-service to an unhealthy Constitution that is the root cause of all Latin American troubles, political and otherwise. In power and out of it, Latin American politicians preach “respect” for the Constitution, knowing full well that presidentialist constitutions encourage arbitrary rule. It is the man in the street who is not fully alive to that fact, for it has never been analysed for him in simple language. The constant objective of the political caste is not to see some

political idea triumphant, but just to be in power; for—as a great French thinker, M. Paul Valéry, speaking on another subject, recently pointed out—“it is the abuse of power which causes power to be appetising”.

It is a commonplace for Brazilians to say that their laws “are splendid, but the trouble is that nobody obeys them”. Foreigners are as much deceived by that statement as are a large number of Brazilians. The late Dr. Ruy Barbosa once said to an American traveller in 1916: “Political reform is sorely needed in my country, better laws, and progressive measures; but the thing which is most of all needed is men who will execute these laws . . . and put into effect the laws which we already have.” Dr. Barbosa had been one of the principal draftsmen of the Constitution. It is on record that in later years he was at least doubtful of the virtues of that instrument, and though he never disclaimed his own child, he came near doing so on many occasions, as, for instance, in his allusion above to “political reform”, “better laws”, and “progressive measures”. The addition about “men being required to put the existing laws into effect” begs the real question.

In his essay *On Tyranny*, Victor Alfieri has the following striking passage (the italics are his): “The name of tyranny must be given, without differentiation, to every kind of government in which the person who is charged with the execution of the laws can *make them, destroy them, violate them, interpret them, obstruct them, suspend them, or merely elude them with assurance of impunity*. Whether such violator of the laws be hereditary or elective, usurper or legitimate, good or evil, *one or several*; whosoever, in short, disposes of sufficient effective force to enable him to have this power is a *tyrant*; any society which admits such power is under tyranny, and any people which suffers it is a slave. In the same way, the name of tyranny must be given to any government under which he who is in authority over the creation of the laws can himself cause them to be executed.”

Alfieri's definition precisely fits any President under any presidentialist constitution.

In the tragic year that marked the end of the picayune political adventures of Napoléon, *le Petit*, the Duc d'Audiffret-Pasquier, speaking in the French Parliament, made an eloquent vindication of democracy in a spirited reply to the remaining velleities of the Bonapartists, who still hugged the idea that what was required to save the French people was a "strong", one-man government. "When a country abdicates liberty," he said, "when it abdicates control and does not know how to adapt itself to that liberal régime in which the affairs of all are the affairs of each; when the citizen on returning home at night thinks himself a wise and prudent man for not having occupied himself with politics—it is because that country has failed to perceive that politics are its life-blood and its honour. When a country does not know how to defend its liberties, and places itself under the protection of a providential man, it is inevitably led to what you have just witnessed: decomposition and demoralisation."

The principles of a free Constitution in republican Brazil have not been lost. They have never been attained. They have hardly ever been even understood. Brazil has always been too busy hunting for a "providential man".

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## CHAPTER VII

### PRESIDENTIALIST CHARTERS OF LIBERTY

UNDER the presidentialist forms of government of Latin America, however important Congress may be by the text of the Constitution, it is in practice powerless *vis-à-vis* the Executive. Protuberance at one spot or another is always to be observed as a lymphatic symptom of the operation of presidentialist régimes. The case is rendered worse (or better, according to the point of view) by the fact that the Judiciary is invariably flaccid, depending far too much on the Executive which appoints it; so that justice is often ineffectual, even when there are no actual miscarriages of justice. A claim, for instance, may be given in favour of a litigant against the Government, and the latter may be condemned to pay; but between that judgment and the actual payment there is a yawning gap, while the amount eventually received by the successful suitor is frequently paid by instalments and, as often as not, in depreciated bonds. The law's delays are long; but the execution of justice is longer.

In discussing the project for the new Constitution, a member of the Brazilian Constituent Assembly in 1934 mentioned that the only defect of the presidentialist system was that the functions of what Brazilians irreverently but pointedly call the Holy Trinity, viz. the Executive, Legislature, and Judicature, were not perfectly balanced. It may be remarked that the best efforts of the legal lights of the Constituent Assembly in 1934 were employed in trying to perform that rather difficult conjuring trick of triple equipoise (but with a bias in favour of the Executive), and not on

evolving any system of political liberties for the Brazilian nation. The same speaker, while admitting that in Brazil the Executive had too much power, sapiently opined that the whole matter was merely one of adjusting the balance of power. That may be so. But Latin Americans are always prone to think they can achieve difficult operations of that kind by means of some ingenious wording in a theoretical charter of liberty. To clinch his argument, the Brazilian legislator then said that the same difficulty was to be observed in the United States; but that, whereas in Brazil the trouble was "the hypertrophy of the Executive", in the United States it was "the hypertrophy of the Legislative"—the best instance of which, according to the speaker, was the refusal of the American Senate to ratify President Wilson's action and signature at Versailles.

The allusion was hardly apposite, for the refusal of the American Senate to ratify the Treaty of Versailles was not due to "hypertrophy" of the Legislative, but to the fact that the late President Wilson made the cardinal mistake of leaving the United States and being his own Ambassador. Dictators cease to dictate when they leave their own country. They even risk ceasing to be dictators at all. Signor Mussolini has not yet made that error. A president, under the presidentialist régime, is a dictator. He promotes the laws; he executes them; and he has the power of veto. Other functions under the Constitution—Legislative and Judicial—may operate to restrain the acts of the head of the Executive; but they are usually not more than ineffectual brakes on his action, if the President stays at home. If he goes abroad anything may happen.

Public opinion, a free press, traditions of freedom and political liberty are North America's real guarantees of relative liberty. They have nothing to do with the Constitution, the deficiencies of which they are sometimes able to make good. They operate in spite of the Constitution; not because of it. They existed before it. Indeed, the Constitution of Phila-

delphia owes its form to the set purpose of the representatives of the thirteen original States, not to create something they already had and enjoyed, viz. individual freedom and local autonomy, but to arm the Head of the State with ample and special powers to deal with a national crisis of exhaustion, indebtedness, and disorder, resulting from a War of Independence that had been waged not to obtain freedom, but to maintain it. The danger was not over when, by the 1783 Treaty of Versailles, England and France, Holland and America concluded peace. The circumstances were very special ones for North America. They were critical, more especially in the matter of foreign relations of a new national entity of less than five million white people scattered over an immense territory. That new nation was facing a world still governed by rigid, old monarchical dynasties under régimes in which, whatever doubts the monarchs themselves might have had on the subject, the divine right of kings was still the indispensable shibboleth imposed by governments as an act of faith on the people—régimes in which *lèse-majesté* and not blasphemy was the supreme heresy, and in which any talk about the rights of man was still held to be the blethering of windy demagogues, whose speeches the Censor might at any moment curtail by lingual excision or definitely terminate by exterminating the speaker.

The framers of the Brazilian Constitution may have been good lawyers. They were certainly not thoughtful students of history, or they might have remembered some of these points.

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Advocates of the presidentialist system sometimes allege that public opinion was inert under the parliamentary régime of the Brazilian monarchy. That is not so. It is sufficient to note in disproof of such an assertion that the country was—quite naturally—roused from end to end over the Slavery question, which was solved by stages, just because it had to



accompany the evolution of public opinion, i.e. by the Law of Free Birth (*Ventre Libre*) in 1871, and by the Abolition Law ("the Golden Law") of 1888. To take another case: the Empire of Brazil could never have sustained the five years' Paraguayan War and have emerged therefrom not only intact but nationally strengthened, had not public opinion—however imperfectly expressed in days of scanty means of communications—been solid behind the governing elements in days when freedom of ideas was such that mischievous newspaper vendors could follow the aged Emperor as he walked down the Rua do Ouvidor and bawl the sale of a paper called *A Republica* without being in any way incommoded by the police—such tolerance in that and in similar cases, some of them of personal abuse, being the result of Dom Pedro's categorical orders. It was reserved for subsequent republican dictators to invent Press Laws and the application of the state of siege as a sort of internal Monroe Doctrine for the suppression of public opinion in Brazil, on the pretext of maintaining public order. The state of siege obviously simplifies government, for, as Cavour said, *Avec l'état de siège le premier venu peut gouverner!*

To pillory the glaring defects and oppressive methods of presidentialist government is not necessarily to advocate that Brazil should adopt English, French, Belgian, Dutch, Scandinavian, or any other systems of parliamentary government as practised by self-respecting peoples. But what is quite evident is that self-respect, which means self-control, makes self-government a necessity. The one follows from the other. And what an impartial examination of actual results achieved under presidentialist régimes demonstrates is that a system of government in which the public may not parley produces a condition of affairs in which public opinion—condemned to be throttled under censorships and states of siege—forgets even how to think, much less how to parley. The people is driven to seek salvation in revolution.

The difference in the circumstances attending the elaboration

of the American Constitution and the Brazilian Constitution (moulded on the former) sufficiently explains how it came about that the latter definitely encouraged despotism in government, while the former—with all its grave defects—did not altogether succeed in supplanting the traditions of individual freedom and local autonomy, to maintain which the American people had fought their War of Independence. The Declaration of American Independence of July 4th, 1776, was of far greater significance than the Constitution voted and subsequently adopted by the autonomous States. "Good custom is surer than law."

In his book, *O Governo presidencial*, published nearly forty years ago, Dr. Assis Brasil (who headed the Brazilian delegation at the London Economic Conference in 1933) described the circumstances in which the Brazilian Constitution of 1891 was drawn up. He had himself, it may be noted, been a member of that Constituent Assembly. "The election of the first republican assembly and constituent congress", he wrote, "was realised by a despotic regulation, which not only did not guarantee representation except to majority opinion, but armed the authorities in each State with legal means to suffocate every and any candidature, even republican, that was not proposed or admitted by official influence". "The speakers", he continued, "who were most assiduous in occupying the rostrum were banal repeaters of the Constitution of the United States. The leaders who displayed most activity were less concerned with any constitutional plan than with political advantages."

There was, in other words, coercion by the dictatorship (which happened to be military) in the election of the Constituent Assembly, and, when it met, that Assembly, from the very nature of the circumstances attending its election, became the prototype of all future Legislative Assemblies in Brazil, where liberal ideas have been submerged under the flood of activities of self-seeking place hunters and unprincipled sycophants. The circumstances of the elections for the Con-

stituent Assembly of 1933-34 were an up-to-date version of those described by Dr. Assis Brasil.

Liberal thinkers in Brazil are in much the same position as liberal thinkers in Germany to-day. They are engaged in an impossible task—a task as heroic as trying to chase the missing decimal of  $\pi$  to its lair. They aim at so contriving things that the liberties and democratic control of popular representation as embodied in parliamentary systems shall be embodied in the autocratic methods inherent in presidentialist régimes no less than in frank dictatorship. The practical results of such attempts in Brazil—even if they were successful—must be to the detriment of liberties (which would be merely academic) and to the advantage of autocracy (which will continue to be extremely operative). Under parliamentary systems, whatever executive powers be given to any Cabinet or Ministry—and those powers are very ample to-day—the Executive function never ceases to be part and parcel of the Legislative function, of which the executive power is merely delegated. That power, or whatever extension of such normal power may be conferred, is strictly provisional, and may be withdrawn at any moment. The Legislature exercises a control which is not only direct but constant and of immediate application. Under presidentialist systems, legislative and executive functions are discriminated with painstaking exactitude in the text of the Constitution. By a fluke, those powers may be harmonious at times. They are supposed to be so always. But in practice the Legislature can exercise no real or effective control over the Executive; it can do nothing more dignified than put spokes in the wheels of the Head of the Executive when he goes away fishing at Easter.

When, in a message to Congress early in 1934, President Roosevelt asked for special authority to “nationalise” gold in the United States, he distinctly stated that he already had powers to deal with the matter, but that he thought it to be one of sufficient importance for him to consult Congress. That merely meant that the President of the United

States was paying a tribute to the value of decorum in public administration. He wanted to have every appearance of Congressional authority for what he was going to do, and indeed for what he was already doing. Congress was at least to be an accessory after the act, if it proved a failure; while direct, broadcast talks to the public and books like *On Our Way* were, without in the least indicating what that way was, to create the necessary "psychological atmosphere" in which credit for such success as might attend presidential plans should be the proprietary right of the Head of the Executive.

In "consulting" Congress on that matter, Mr. Roosevelt was merely adopting an elegant attitude. The Constitution did not oblige him to adopt it. The President of the United States did not thereby cease to be an autocrat. He could not, indeed, help being one by the Constitution. Mr. Roosevelt merely showed that he was a politically sagacious autocrat at that moment. Even Congressional opposition to his scheme need not have upset its execution, which at the worst he would still have been free to carry out in a rather more chastened mood. So free was the President that, only two days after he had "consulted" Congress, and *before* Congress had debated the question submitted to it, the President's Financial Secretary announced that the "essential measures" outlined by the President "had already been put into execution without waiting for the approval of Congress". Political sagacity on the part of the Head of the Executive under presidentialist régimes consists in being able to count on a working majority in Congress by prior confabulations. That is why he dare not absent himself for long. But even when Congress is recalcitrant, all that happens is the introduction of some Debussy-like dissonance in the consonant harmony of legislative and executive functions. The piece still has to be played to the last bar, which is reached only when the President's period of office terminates. If, in the meantime, the public does not like the piece, it is free to manifest its displeasure in the usual

way by booing and hooting, or by making a revolution. What the public cannot do is change the piece. That piece is called Stable Government, but the stability is for the governors and not for the governed. By an apparent paradox, the social stability of a community is secured only by the instability of its government.

When, under the presidentialist system, relations between the Legislature and the Executive happen not to be harmonious, there is a sort of Decani versus Cantoris match, each shouting at the other antiphonally. It is really quite an amusing situation, this business of "strong" governments! The President cannot dissolve Congress, and Congress cannot dismiss the President, and there they both sit strongly entrenched, glaring and shouting at each other—that is, of course, when they are not falling on each other's necks, shedding salt tears of mutual repentance and reconciliation. But the President always wins—till he quits office. He holds the trump cards and Congress knows it. The most the people's representatives can do is occasionally to ruff the President rather crossly. Undoubtedly "strong" governments have their advantages—for the governors.

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In applying the theories of the United States Constitution to Brazil, the Constituent members devised something which was quite foreign to the traditions, as well as to the experience, of government in their own country. Those traditions went back to the Portuguese and Spanish institutions of government by deliberative assemblies. Brazil had absolutely no historical roots of government in the Americas. The fact that the United States are in North America and the Brazils in South America is merely an accident of geographical nomenclature. But the founders of the Brazilian Republic confused the issue in the matter of systems of government.

Ever since 1850 it had been explicitly established—as the

result of an historic debate on a Speech from the Throne—that the “sovereign” was the Brazilian people and not the Brazilian monarch. The effect of the republican Constitution was to reverse that order of things by turning a republican president into a “sovereign lord and king” in peace time, a generalissimo in war time, and a despot at all times. It was Frederick II of Prussia who said he did not mind what his subjects said about him as long as they let him do what he liked. But any president under the presidentialist régime might say exactly the same, except that he usually does not let his subjects say anything at all that matters. Thinking aloud is unhealthy and apt to land the republican subject into gaol. “Strong” governments are so weakly that they discourage the bad habit of thinking aloud. It distracts their attention. According to Alexander Hamilton, “energy in the executive is a leading character in the definition of good government”. But even the great Federalist himself would hardly have claimed that energy comprised all the essentials of good government. What he was afraid of was the disorder that ‘tumultuous popular assemblies’ might cause. He talks of their “always acting with such momentum as to make it very difficult for the other members of the Government to maintain the balance of the Constitution”.

It is that balancing trick that leads to all the trouble. It is a practical impossibility, and upholders of presidentialism break their own (as well as other people’s) heads trying to do it. The supreme virtue for the people under this régime is to have patience. As the French historian, M. Émile Boutmy, wrote when dealing with that system: “The people must therefore exercise patience; it must wait two, three, or even four years for the expiration of the very mandates by which it has disarmed itself and before which its own omnipotence is powerless. What a singularly accommodating democracy!” But not always; and impatience then spells revolution. Boutmy was referring to the Legislature, for the mandate given by the people to members of Congress is irrevocable

for a pre-determined period, just as are the powers conferred on the President of the Republic.

In his *Congressional Government*, the late Mr. Woodrow Wilson pointed out that "public opinion cannot control the President, because his prerogatives are above the law; nor censure ministers, because they are responsible only to the President". He also stressed how ineffectual public opinion was to control the Senate or even the House of Representatives, because they were dispensers of jobs and had already received their portion in the electoral "spoils".

It is not generally realised by those unfamiliar with the practical operation of the presidentialist régime how ample, nay absolute, are the powers of the President of the Republic. "The President", said Bryce in his *American Commonwealth*, "is personally responsible for his acts, not indeed to Congress, but to the people, by whom he is chosen. No means exist of enforcing this responsibility, except by impeachment, but as his power lasts for four years only, and is much restricted, this is no serious evil." But that presupposes what Boutmy called "a singularly accommodating democracy", even if Bryce's very lame conclusion be admitted, and in Latin America at any rate democracies could scarcely be called "accommodating". They are in constant effervescence. Moreover, experience does not bear out Bryce's dictum that the President's power "is much restricted", even in the United States, still less in other countries which took the United States Constitution as their model. As for the ministers, they are, as Bryce said, "nothing more than his (the President's) servants, bound to obey him, and independent of Congress", of which, of course, they are not even members.

The remedy of impeachment is obviously of no real practical value as a control. In the American Constitution it is laid down that "the President, Vice-President, and all civil officers of the United States shall be removed from office on impeachment for, and conviction of treason, bribery, or other high crime and misdemeanours". Such crimes are indeed

"high"—so high, indeed, that the remedy may be said to be out of reach. The simple remedies of efficient, daily control simply do not exist. In the Brazilian Constitution, the "crimes of responsibility" for which the President of the Republic may be "tried and judged" are so vaguely defined that the said responsibility does not, in effect, exist at all. Even legally the President is irresponsible, for he could never be convicted.

The late Dr. Ruy Barbosa, a lawyer of international reputation, dealing with the subject of presidential responsibility, wrote: "The measure aimed at preventing the office of President from degenerating into a permanent dictatorship. . . . Rare, indeed, are the articles against which our presidents have not offended. Some of them have violated almost all of them. But the greater the sum total of offences of a President, the more unanimous are the votes of political wisdom in guaranteeing his irresponsibility; i.e. the more complete be the presidential dictatorship, the more immune is it from any responsibility whatsoever. On no less than six occasions in Brazil was a motion presented to press home a charge of presidential responsibility; and on no less than six occasions was the motion rejected by the Chamber of Deputies, which did not even consider the matter one on which it could properly debate. . . . There has never been a President in this republican democracy who could be made answerable for any of his acts. . . . Thus, Brazilian presidentialism is nothing but a dictatorship in a chronic state, viz. the general, consolidated, and systematic irresponsibility of the Executive Power."

How such virtual irresponsibility operates in all countries governed under a presidentialist régime may be measured by the origins, growth, and influence of Tammany Hall.

In a penetrating analysis of political conditions in Brazil—*Dois Regimens*—published in 1896, the late Dr. Elpidio de Mesquita quoted an extract from Claude Janet's *Les États Unis Contemporains* in its application to politics in Brazil. After referring to the activities of the strike-organising Black



Horse Cavalry in the United States and to the fixed tariff of fees demanded by Tammany Hall for getting modifications of any law through Congress and for having new laws made in favour of private interests, Janet said that in 1887 (he quotes the actual date, viz. October 13th) "the elections committee of Tammany Hall fixed the minimum contributions to be paid by candidates" for public appointments, e.g. Judge of the Supreme Court, twenty thousand dollars; Judge of the Criminal Court, ten thousand; other judges, five thousand; and senator, five thousand. Aldermen were going cheap at one thousand!

Dr. de Mesquita's comment was: "Let us confess that, in Brazil, Tammany Hall would be impossible, not because we lack any of the plastic material for its creation, but because we have not the organising spirit of the Yankees." The founders of the presidentialist republic in Brazil proclaimed in 1889 that they were about to construct Liberty Hall. What they ended by doing was to house the whole of political Brazil in a jerry-built erection, which Aaron Burr would not have disdained to recognise as "Tammany Society No. 2".

The illicit "spoils", as Mr. Woodrow Wilson called them, and the methods of obtaining them are crisply and monosyllabically known in the United States as graft. In suave Latin American parlance they became *advocacia administrativa*. That is the only difference. The principle—or lack of it—is the same. The first fruits of autocracy are corrupt and breed corruption. Constitutional despotism is even worse. It legalises corruption.

## CHAPTER VIII

### ECONOMIC ASPECTS OF BRAZILIAN POLITICS

THE Press outside Brazil, and not least in London, is singularly misinformed, not about events in Brazil, but about their significance.

Happy auguries as to the future of Brazil are little more than pious hopes when they are on the lines of a New Year's vaticination which appeared in a leading London daily at the end of 1933. 'The political situation in Brazil', it ran, 'appeared to be improving, and the election of a constitutional President might well be the signal for an economic revival of the country.' That was cautiously vague; but for that very reason it was misleading. The political situation in Brazil had at the time been growing steadily worse for months, and—a few days before the newspaper article appeared in London—two members of the Brazilian Government had resigned. That would be no great matter in itself, if it were not that the tone of the annual "summing-up" of London papers on Latin America has invariably been in a minor key as to the past, but with an indication of *allegro ma non troppo*, in a major key, for the future. That is all wrong. The Song of South America is really a *Valse Triste*, followed by a *molto agitato* movement—*da capo*!

The "election of a constitutional President" in Brazil has never produced the slightest change or "revival" in the country's economic situation. Every elected president in Brazil assumes that he represents "constituted authority" the moment he assumes power. So do his friends. But it is not elections that matter. What matters is whether the President has an overwhelming majority in the political caste. If he has,

he may be expected to be able to rule during his period of office in relative peace. If he has not, the malcontents in the political caste will say that he is not the embodiment of "constituted authority", and, if they are strong enough, they will make trouble for him, and for the country. The question as to whether he is a "constitutional President", i.e. whether he has been elected according to constitutional forms, does not count. The opposition is always armed with evidence to show—and swear—that he has *not* been "constitutionally elected", and to prove (what would often be equally true in the case of their own candidate) that pressure was used at the elections, which were not "free".

For a President to be able not only to hold office, but to hold it down, he must so play his cards that he has adequate support among the political panjandrums to be independent of malcontents in that caste. That is why—to "the uninstructed alien"—Brazilian politics resemble some confused, nightmare set of lancers (without the ladies). After the preliminary bowing, the whole affair becomes a mass of intricacies apparently with neither rhyme nor reason, and the more confusing because there are no real party questions or party programmes to unite or divide Brazilian politicians.

At election time there are two rival candidates. One is the candidate of the majority of the political caste, and usually counts on the support of the outgoing President, to whom is assigned the important rôle of "guaranteeing order". In practice, that guarantee has nothing to do with ensuring free elections. It means co-ordinating the activities of the various political bosses throughout Brazil, manipulating Congress and the press, and securing the adhesion of the principal Army leaders to the new candidate. That being done, the election-curtain can be rung up—with the certainty that the candidate of the *situacionistas* will get in. That political term hardly needs explanation. It refers to those who uphold and are upheld by the political bosses on the steps of the presidential throne or behind it, i.e. by those who dominate the *situation*.

In Brazil, that constitutes belonging to political parties—the only organised parties, i.e. those which hold power, actually or potentially. It is from the covetous non-holders of power that opposition springs, and from the split thus caused in the ranks of those parties the rival presidential candidate and his supporters are recruited. There is not the faintest suspicion of conflict of political ideas. The only political idea is to get power. It is the getting of it that sometimes leads to conflict. There is thus merely personal rivalry, which is more or less violent in its effects in proportion to the strength or weakness of the *situacionistas* for the time being.

As soon as the President in office has reached Half-Way House his star begins to wane, not perceptibly to the uninitiated, but, whatever personal prestige the occupant of the presidential chair may have, his star is no longer at its zenith. Re-grouping of the political mandarins begins. Everybody is preoccupied with what position he will occupy when the next set of crazy lancers begins. Presently the rival candidate emerges. As this new candidate represents some sort of change—it is hoped for the better—he is not infrequently hailed as the “popular” candidate. Sometimes he is actually popular. In that case he should, one would suppose, poll a greater number of votes than the *situacionista*, or “official” candidate. But however popular the “popular” candidate may be, he never gets in! (Provincial politics in the autonomous states are, *mutatis mutandis*, run on exactly the same lines, with the additional circumstance that a feudal pact exists between state presidents and the federal Overlord at Rio de Janeiro.)

The presidential programmes of both candidates are identical. Brazil is to become a land “with milk and honey bless’d”—in addition to coffee. In the matter of general promises, the planks of all election platforms the world over are made of the same wood. But in Brazil, except for the fact that the “popular” candidate is free to make rather more sweeping promises (for he knows he has no earthly chance of getting in), the similarity between the programmes of the rival



THE "ELECTION" OF THE OFFICIAL CANDIDATE



THE OFFICIAL CANDIDATE TAKES A STROLL

THE FRANCHISE UNDER THE PRESIDENTIALIST RÉGIME

*Cartoons by Belmonte*



candidates is such that they might have exchanged them without anybody being one penny the wiser—or better off. The popular candidate, before the “elections”, usually undertakes a perfectly futile election tour throughout the country; while the official candidate (for whom the trifling formality of election has been pre-arranged) waits for his election—six months before assuming office, and then takes a little trip abroad—at the taxpayers’ cost—after the Minister of Foreign Affairs at Rio de Janeiro has taken the necessary steps to ensure that the “President-elect” shall be received at foreign Courts with all the dignity befitting the Rightful Heir to the Brazilian Throne. Unfortunately for the reputation for accuracy of foreign diplomacy in Brazil, it turned out on a recent occasion that the Rightful Heir was only the Heir Apparent after all!

In reading his election programme, usually at some public banquet at Rio de Janeiro (it is never clear who pays the caterer), for which innumerable invitations are distributed as largesse to what is called “high commerce”, the official candidate makes a special point of reinforcing his appeal, already diligently canvassed in the subsidised Press, for the support of what are known as the *classes conservadoras*. That expression has nothing to do with politics. It does not refer to any Conservative Party. It is simply an appeal to those who have shop windows to be broken and safes to be rifled—disasters which it is subtly hinted might overtake the “conservative classes” if the popular candidate got in. Weighing up their chances in the matter of burglary insurance, acts of God, and the President’s enemies, the “conservative classes” usually come to the conclusion that—apart from the fact that the popular candidate can never afford to stand them a dinner—there is likely to be less danger of “smash and grab” if they support the official candidate. That conclusion may be dictated by force of prudent conviction. It always looks uncommonly like funk, while it invariably betrays the absence of any political conviction one way or the other. But the

"conservative classes" also arrive at another conclusion, which may be equally prudent but is fatal to any hope of political sanitation. The commercial elements in Brazil decide to have nothing to do with politics; and they thus play straight into the hands of the professional politician, whom they will cynically tell you they can always buy when it suits their purpose. There is, in fact, a class of business man which does not regard even revolutionary movements altogether with disapproval, provided such affairs do not last too long or do too much material damage to others (and none to themselves). It is a class that knows how to buy cheaply from those who think everything is going straight to the devil, and to sell high to those who are convinced that there is going to be a new era of prosperity.

The circumstances of *le 18 brumaire* furnish an amusing parallel to some aspects of South American revolutions. Bonaparte once thought to embarrass Talleyrand by asking him point-blank how he managed to amass a large fortune in such a short time. "Nothing simpler!" rejoined the imperturbable minister. "J'ai acheté des rentes le 17 brumaire et je les ai revendues le 19!"

As for the local commercial, industrial, and trading associations, they invariably adopt the view that their justification of existence is to make to themselves "friends of the mammon of unrighteousness". Their only policy is one of adulation, and they first of all spread themselves in showers of congratulatory telegrams in which they "hypothecate their solidarity" to the official candidate (whose path they literally bestrew with hundreds of pounds worth of flowers). Thereafter they proceed, in undignified deputations, to pay their court to the "elected" President, before whom their genuflections and obeisances would do credit to a dancing master.

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Brazilians have forgotten how to think politically. It never occurs to them to form political parties to advocate



ideas. They would consider it sheer waste of time; and, if the notion ever did cross their minds, they would reject it as impracticable as well as useless.

An illustration of this attitude is furnished by Congress, where deputies\* are not united in groups by political views, but merely by the regional accident of birth or up-bringing. The Chamber is divided into *bancadas*, or benches, and the occupants of one *bancada* represent one state, considered as a political entity as determined by its boundaries. Even from a regional, geographical point of view that is an absurdity. Politically it is nonsense, for it premises that all the members of one "bench" think alike. They profess to, and in the arithmetical function of voting that comes to the same thing. The same regional characteristic was to be observed in the Constituent Assembly of 1933-34, and the fact that one-third of that assembly consisted of a political aberrance called representatives of "professions" and "classes"—whose names had been carefully sifted, rigorously scrutinised and approved by the Provisional Government before election day—only added to the political amorphism of that heterogeneous conglomeration of law-givers.

The "benches" in Congress form all that can be called "parties", but those parties represent not a single idea, much less any political ideal. The only question that to some extent unites the three numerically more important states, viz. S. Paulo, Minas Geraes, and—to a much lesser degree—Rio Grande do Sul is an economic one, viz. that of putting Customs duties up to the highest possible level and keeping them there. What, however, really unites or divides these states is the question of political hegemony in federal administration. Coffee interests are the special concern of S. Paulo (and, after it, of the states of Minas Geraes and Rio de Janeiro), and political advantages have been constantly bartered in exchange for the interests, not of coffee, but of the more extravagant

\* Their salary is equivalent to £1,000 per annum, exclusive of all travelling allowances.

of the wealthy coffee-planters and speculators. The merchant class has no henchmen in Congress, because merchanting is mostly done by foreign firms, who buy political favours in the best market they can.

To some extent the coffee trade and local manufacturing enterprise might be considered as constituting economic questions of sufficient importance to justify political parties being grouped round them. But it would be a mistake to suppose that such interests have ever got as far as forming political parties. On the one hand, the support of the Executive, i.e. of the President of the Republic, in favour of those interests, and, on the other hand, the election aid which such interests could command in favour of the President and his political friends (among whom were members of both those trading classes) have been matters of private confabulation and arrangement between the interested persons behind the scenes. The economic effect which any arrangements of that nature might have on the general welfare of the nation has never been taken into consideration, much less discussed by the Sacred College of politicians. The results of such private confabulations have often been ventilated in the press, and voices of protest have sometimes been heard in Congress. But nothing has ever been changed. Nothing ever could be changed under a régime in which the only grounds for public measures are that some private interests shall first and foremost be served.

Except for a small minority, all the members of Congress owed their seats to the President of the Republic and his friends. The majority in Congress consisted ~~precisely of those who belonged to the political clique which had placed the~~ President and his executive ministers in power. The various provincial or state presidents in turn depended on the President, and he—to a lesser degree—on them. He guaranteed their election, when he did not impose it, and they his. The same held good with the various state congresses. Each of the groups had mutual interests with other groups, and all

had interests in common—the interests of “being in power”! When those interests clashed, there was confusion, resulting at times in collision in the mazy set of lancers. News of those collisions was then cabled abroad by watchful Press agencies, and the world was apprised that “a revolutionary movement has broken out; the Government has declared a state of siege”.

Under such conditions political events present all the elements of a complicated jig-saw puzzle; and to the highly ingenious Brazilian temperament offer the same allurements as that pastime affords to its devotees. The only difference is that some players have been known to solve a jig-saw puzzle.

Brazilians who have embarked on a political career—the only one many of them have—frequently say that politics are their tippie. They are addicted to politics. There are certainly some fat prizes; but that is not the sole attraction. Quite a large number of Brazilians engage in politics, just because they find them intriguing. Politics in Brazil have nothing in the world to do with political questions. Political addicts in Brazil are not in the least concerned with anything so dull as a political programme that might involve the close study of tedious questions of free trade and protection, discussions about banking, or debates on some new measure to consolidate the floating debt or raise a foreign loan. Insignificant matters of that description are cut and dried long before they ever get to Congress, which merely ratifies the wishes of the President if he is strong enough, or confirms the private arrangements of the nature described—with or without a few speeches on the subject, embellished by the results of a little desultory reading and a superficial comprehension of political theories.

It is not even the personal triumph of vindicating a political ideal that constitutes the lure in Brazilian politics. It is the strictly personal element in the game that is exciting and gives rise to all the longer speeches in Congress; the grouping

and re-grouping; the possible defections; the expected betrayal that was skilfully countered; or the intervention of some person or group that had not been anticipated. It is a game of poker in which nobody can call the bluff. Personal questions cannot but enter into the politics of all countries. But ever since the establishment of the Republic, they have been the quintessence of what are called Brazilian politics. There are no political programmes, and even the question "What programme shall we adopt in order to get the country to put us in power?" does not arise. The question to be decided is merely "What political elements must we group together and what private interests must we conciliate in order to stay in office, or, alternatively, get there?"

The administration of the country has been carried on, not as the result of discussion of the country's interests, but by decree, legislative or executive—it made little difference which, seeing that both emanated from the Supreme Power or its magic circle, were passed through Congress after prior arrangements had guaranteed their passage, and were thereafter imposed on the country as being laws representing the sovereign will of a sovereign people as expressed through the "legitimate representatives of the nation in Congress".

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It might be urged that the material progress of Brazil under forty-four years of the presidentialist régime belied this picture of the country's political activities, or at least proved that the régime had not been an obstacle to the development of wealth. There are, indeed, some foreign residents in Brazil who used to be fond of stating—their enthusiasm seems to have waned to-day!—that bad politics have no really bad effect on business, and that all the business man requires is sufficient astuteness to adapt himself to the milieu and profit therefrom. The argument is not a good one, even from the limited point of view of those who use it; because, although a great deal of money has undoubtedly

been made out of trade in and with Brazil, the amount of money that has been lost is just as great, and may be even greater yet. When a business man gets a contract worth fifty thousand pounds, charges one hundred thousand for it, and "halves" the difference with someone, he may perhaps justifiably flatter himself that he has known how to "adapt himself to the milieu". He has been "astute". But—quite apart from the moral aspect—that is not sound business even for the business man in the long run. It is a snare. One or two people have, more by luck than judgment, got out "while the going was good"; but most have stayed, with their appetites whetted by eating. They have gone on from strength to strength, then from strength to weakness, and finally from weakness to despair, as they have found themselves floundering in a quagmire of unpaid accounts, depreciated currency, contract revisions, and the neo-economic caprices of new governments "which knew not Joseph" and—from motives of their own—refused to hear anything about him or the contracts he had signed.

But the argument (neglecting any special aspects) that presidentialist politics have not retarded the sane economic development of the country is, if urged, essentially unsound. In the first place, it is untrue. If, during the last ten years of the last century, and the "fat" pre-war years and the hectic *post bellum* boom of this century, foreign investors were pleased to make loans to Brazilian authorities, and to place their savings in public works, contracts, and business activities generally, it was certainly not due to any special predilection for Brazil or things Brazilian. The majority of investors had—and have—only very vague notions as to where Brazil is, and even vaguer ideas about Brazilian political conditions. Issuing houses do not know everything, and they do not always tell all they know. Investors were told by the sponsors of loans that the respective investment was a good one; and, to the extent that the investment yielded good rates of interest and excellent dividends, the sponsors were justified

and the investors happy. The foreign investor (unconsciously) and the governing political caste in Brazil (consciously) both had at stake personal interests which, though not identical, coincided. Both favoured "strong" government, which seemed to spell stability. They were thus respectively sleeping and active partners in the firm of "Constituted Authority Unlimited". But the very coincidence of this order of interests was bound eventually to precipitate a collision with the real aspirations of the Brazilian nation, which were for political freedom.

The apparent identification of foreign interests with arbitrary rule was confirmed—in the eyes of the Brazilian people—by the periodical interchange of congratulatory telegrams between the Brazilian Treasury and its "bankers" abroad. These cables, to which large publicity was always given by the public authorities in Brazil, merely encouraged local belief that the ruling political caste in Brazil and the foreign investor belonged to a Mutual Admiration Society, in which banker, broker, and investor were all synonymous terms. A restless public opinion, not yet perspicacious enough to analyse root causes or to distinguish cause from effect, began to be more and more convinced that it had a grievance, and clamoured (as best it could in unsubsidised organs of the press) that its governments were "sold to foreign capitalists", that the interests of the country were being betrayed to allow "foreign blood-suckers to drain gold from Brazil", and that the poor Brazilian was the victim of *both*.

During recent years these sentiments have been flattered by astute politicians as a cheap means of courting popularity. In fact, so cleverly and unscrupulously have such sentiments been exploited that a new social phenomenon has made its appearance in Brazil, viz. *nativismo*, which is less an active form of jingoism than a passive mental attitude that a Brazilian is as good as a foreigner (and usually a great deal better), and that the foreigner who works in Brazil is an inferior creature who would have spent his days in misery if a merciful Provi-

dence had not ordained that he should sit back and be filled from an overflowing Brazilian cornucopia. This view is not endorsed by thoughtful Brazilians, who welcome the foreigner as a fellow-labourer in their vineyard, but it is one which is sometimes shrilly exploited by exponents who have their own axe to grind. The old dominating political caste eventually ceased to be cohesive and strong—it had waxed fat—and had to yield ground to newer and inexperienced elements, many of which, it is true, were recruited from its own ranks but thought they could do better for themselves by deserting. At this stage the new active partners in the firm of “Constituted Authority Unlimited” thought it would be to their own interest to adopt an ultra-Chauvinistic attitude by compromising at the expense of the foreigner in favour of Brazil. That course, indeed, had the additional advantage of appearing in the light of an act of tardy and disinterested patriotism. It was the easier to follow, owing to the contretemps that new foreign loans were at the time out of the question, while past errors were ripening for a whirlwind-harvest simultaneously with the appearance of several new factors which made it increasingly difficult for the service of existing foreign loans to be met. Thereupon the sleeping partner awoke from his slumbers and began to reproach his active partner for this new attitude, which seemed so destructive of the hitherto prevailing harmony of their mutual interests. On which the active partner blandly replied that all business was, of course, a risk, and that in any case he could, as and when it suited him, urge that “constituted authority” was not quite so “unlimited” as might have appeared from the style and title hitherto employed in their mutual business. That attitude was then translated into abolition of gold clauses in existing contracts, obligatory revision of agreements, and, finally, the Financial “Agreement” of 1934.

As to any specific argument that Brazilian politics have had no ill-effects on the economic conditions of the country, and might conceivably be said actually to have furthered

commercial development—two aspects—directly affecting Brazilians themselves—may be observed in disproof of such reasoning. The first and most obvious is the matter of coffee.

Governments in Brazil (federal or state) that were really representative would never have permitted—they could never have received sanction to permit—Brazil's foremost industry to be slowly bled to death by the process of raising huge loans for the alleged purpose of "valorising" coffee prices. We are to believe that the exhausted patient is now on the the road to recovery—after nearly thirty-five million bags of coffee, i.e. over two million tons, have been destroyed. The patient has periodically been proclaimed to be on the road to recovery from pernicious anaemia any time for the past twenty-five years! In any case, the coffee industry in Brazil has a load of debt of over thirty million pounds now—£30,000,000. That money was raised abroad, and the question of the way in which it was raised, how it was spent, and how much of it was really applied to "defending" coffee is another, very grave aspect of administrative morality as well as of coffee prices. On the 25th of March, 1934, the annual report of the Auditing Committee of the S. Paulo Coffee Institute laconically stated that the situation of the Institute would be rather better if an amount—stated in the local press to be about seven million pounds (equivalent) and not contested—which had been borrowed by the Treasury of the State of S. Paulo were repaid and employed for helping the coffee planter. It might, under any other system of government, have seemed supererogatory for an auditing committee of a concern like the S. Paulo Coffee Institute to hint that money raised abroad for the specific purpose of being applied to coffee "defence" should be used for that purpose!

But had all the money raised by foreign loans and internal taxes on coffee always been expended to the very best advantage, the economic results (for coffee) would not have been very different. The statistical position might conceivably have been better than it is, but the economic results would have



been futile in any case. Actually, they have proved disastrous. And, to make matters worse, Brazil erected a huge tariff wall of Customs duties to keep out the manufactured products of her best customers!

For nearly thirty years Brazil's most important economic asset has been (as nearly all her other economic assets have since become) at the mercy of private interests, political confabulations, autocratic measures, and experimental interference on the part of federal and state administration. Personal interests have sometimes run parallel to public interest, but the two have never really coincided.

It is the maelstrom of all these cross-currents that has produced political unrest in Brazil as a constant phenomenon of the social life of the nation. When a sufficiently influential politician has felt that his own interests, or those of the particular group to which he belongs, or on which he depends, were being traversed by more powerful groups or temporarily more potent interests, he has gone into a corner and sulked and said he was not going to play any more. The country has then been made aware that there is a political crisis—for some motive that is at the moment obscure. The country is always expecting political crises, but is usually taken by surprise when one occurs, being in ignorance of what has been going on in the wings, and therefore unable to anticipate from what quarter the bolt will fall on the political stage. Politically, the public has to guide itself as best it can by contradictory rumours. Ministerial and political sulks are the signal for another *chassé croisé* in the wild set of political lancers, the gyrations of which would no doubt have appealed to the Red Queen in *Through the Looking-glass*, but convey nothing intelligible to anybody this side of the mantelpiece. Rumours then increase in intensity and begin to become alarming, until—if there is not a revolution—the dancing-partners sort themselves out again and come to a decision more or less satisfactory to themselves, but in any case of far-reaching effect on coffee or some other economic factor.

The nation is then informed—these are the classic lines of such official *communiqués*—that “by the political sagacity and self-sacrificing patriotism of all concerned a grave political crisis has been averted. Order has been maintained and the principle of authority vindicated. The Government emerges strengthened from the crisis and is fully equipped to deal with any subversive elements and will use the utmost rigour in quelling any disturbances. The laborious nation may devote itself to its daily activities with tranquillity. As the result of the confidential negotiations now in progress, both in Brazil and abroad, with high financial interests, the nation will very soon have an opportunity of testifying to the great and salutary repercussion of all these nobly inspired and patriotically conceived deliberations of the nation’s constituted leaders on Brazilian finality, for which ampler horizons of commercial prosperity can now be envisaged in a new era of economic expansion compatible with the legitimate aspirations of the Brazilian people.”

Reduced to plain language, what is meant is merely that Brazil has been committed to some new onus in the matter of coffee or finances, without either Congress or the nation having been consulted; and that the “policy”, whatever it may be, has been adopted because certain elements derived political benefit therefrom—while, last but by no means least, appreciable advantages accrued to certain people. As the immediate effect of a loan is nearly always to bring relief and some temporary benefit to the borrower, there was always considerable throwing-up of caps when coffee prices began to soar—beared and then bulled by those who were “in the know” about the Government “policy”!—and the coffee-planter was inclined to endorse the self-advertised opinion of those responsible when new financial aid was obtained at home or abroad. Thus the political caste “got away with it”—until the rude awakening came. The much-vaunted purposes of the loans failed, as they were bound to, a great deal of the actual money from the product of the loans evaporated, and

the burden of them and of the politicians, too, was found to be intolerable, because no Peter had been found to pay Paul.

In October 1930, the old professional politicians retired up-stage and left their understudies to face the footlights. The performance was parlous, and a number of the old pros were gradually invited by the management to help with the Star Turn by taking speaking parts in the Constituent Assembly. The dictatorship sat in the prompter's box, from which issued the only lines that could be understood by the audience, to whom the piece had been advertised as an up-to-date version of that old classic: The Presidentialist Constitution. The audience, however, found the performance to be nothing but a potpourri of the songs and dances of the old Variety Show, of which they were heartily sick. They refrained from applause, which was supplied, Continental fashion, by a *claque*. This was the artificial atmosphere in which the new Brazilian Republican Constitution of 1934 was elaborated. However interesting some of the actors may have found the occasion to "split the ears of the groundlings" or display their skill as ventriloquists, the fact remains that the public was not impressed, for the whole affair was nothing but a tawdry apotheosis of despotism—a canonisation of the arbitrary rule from which the Brazilian people had for so long been vainly trying to free itself.

Nobody who is thoroughly acquainted with the influence of politics on economics and finances in Brazil can put his hand on his heart and say that Brazil's economic development has been safeguarded, much less furthered, by the political methods of administration and by the political régime of republican Brazil.

It does not require more than a cursory examination of another aspect to disprove the line of argument that is sometimes inclined to attribute the flow of foreign capital to Brazil to some peculiar virtue in the political system adopted by the Brazilian Republic. That régime, it is advanced, was more

go-ahead and enterprising, and more in accordance with modern ideas of progress. To hear such people talk, one might imagine that, prior to the Republic, Brazil had been some benighted backwood, lacking all means of communication, devoid of urban facilities, and living in a state of outer darkness. But the actual facts are very different.

Not counting two Brazilian railways, the shares of which were quoted in Paris, and the Rio Gas Company, quoted in Brussels, there were no fewer than fifty-one British public utility companies operating in various parts of Brazil under the Monarchy, and quoted on the London Stock Exchange in 1889. It would perhaps surprise many people to-day to verify how many of those companies had their shares quoted above par at that date.

The amount of British capital invested in such concerns and in Brazilian Government loans was about £90,000,000. To-day the total amount of British capital invested in Brazil is about £340,000,000. (In neither case has the amount of capital engaged in purely trading operations been computed.) The amount of British capital investments has therefore quadrupled in half a century. In itself that increase may be taken as quite normal, if not sub-normal, in view of the general economic expansion of the world's trade during that period. It had nothing to do with the system of republican government in Brazil. All that the presidentialist régime in Brazil did was to encourage the watering of capital in already existing enterprises, and to stimulate over-borrowing for purposes which in themselves may have been quite legitimate, but which could not in many cases have been expected ever to stand the onus of earning interest and amortisation on the money borrowed, except in the prospectuses of the optimistic issuing-houses.

If borrowing for unproductive, decorative purposes spells progress, then every single letter of the alphabet has been called in to work overtime in Brazil under the presidentialist régime of "Order and Progress". Much money has certainly

been borrowed for legitimate purposes; but that has nothing to do with the republican régime. Loans for all kinds of legitimate purposes had already been made prior to 1889. Public illumination, street-cars, railways, drainage, harbours, and cables—all these and other utilities were being cared for by borrowed capital long before the Republic, and nobody coming to the question without *parti pris* will deny that loans would have continued to be made to Brazil. But here again nobody acquainted with the history of Brazilian public finances can honestly aver that the republican presidentialist régime, by its reckless borrowing and spendthrift expenditure, has served the best economic interests of the country.

Had republican Brazil been administered under a system of responsible, representative government, it is quite likely that she would have over-borrowed. That policy was deliberately encouraged by lenders, and nobody in the earlier years of this century would have paid much heed to the croakings of any neo-Polonius. But it is, on the other hand, more than likely that representative government would have prevented many abuses; while it is quite certain that representative government would have pilloried and punished them, once they were discovered, and prevented their repetition with impunity. The presidentialist régime has both encouraged and condoned the abuses. It could not be otherwise. The supreme executive power is in the hands of one man—the President—to whom and to nobody else his ministers are responsible. The President himself is answerable to no man on this earth during his period of office, and nobody has yet invented any practical way of making him responsible afterwards! It is hard for any man, however honest and well intentioned, to keep his head when he has unlimited power—so hard that no single human being has yet succeeded in doing so.

The "elected" President of an American republic has all the attributes of a generalissimo, and the constitutional

governments of presidentialist republics correspond exactly to the Duke of Wellington's definition of martial law as "the will of the commander-in-chief". That is probably why those governments so often simplify matters by taking the next logical step and declaring a state of siege.

CHAPTER IX  
THE BRAZILIAN CONSTITUTION  
1891—1926—1934

THE wording of the Brazilian Constitution of 1891 is by no means clear, and in that respect it faithfully mirrors the state of mind of its framers. The amendments introduced in 1926 merely strengthened, as it was intended they should, the autocratic control of the country by the Federal President—in three directions: by weakening the autonomy of the states; by facilitating the application of the presidential veto; and by imposing still further restraints on the liberty of the citizen.

If the full text of the 1891 Constitution—the legal drafting of which is, it may be noted, incomparably superior to that of the 1934 charter—be closely examined, it is not difficult to trace the fundamental origins of the political and social situation of the Brazilian nation to-day—after nearly half a century of republican administration under the presidentialist régime.

The new Constitution (of 1934) contains not a single variation in sense or alteration in wording that in any way whatsoever modifies the inevitable tendency to the concentration of autocratic powers in the hands of the President of the Republic. It was not, indeed, even within the cogitations of the majority of the constituent members to limit those powers. The vital and essential character of the new Constitution is its reaffirmation of presidentialism. The rest is supremely unimportant. It is a mere matter of occasional editorial hedging and of frequent juristical sophistication to permit the introduction of a whole medley of notions and conceptions, so widely at variance with each other and so wildly contradictory

that they give to the new charter all the appearance of a patchwork quilt.

It would be impossible to analyse and compare both constitutions within the limits of a short chapter. Three important points may, however, be dealt with: first, one or two clauses of the 1891 Constitution that may be said to have had a characteristic effect on Brazilian social life since the republic (1889); second, some aspects of the 1934 Constitution—the atmosphere in which it came into being, and the immediate reaction of the Brazilian people to it; and third, a few considerations on financial and economic conditions in Brazil under the new constitutional régime.

## I.

In the Constitution of 1891 it was laid down (Article 6) that:

The Federal Government shall not have the power to intervene in matters appertaining exclusively to the states, except: (1) to repel foreign invasion, or that of one state by another; (2) to maintain the republican federative form.

In the 1926 amendment that concept was very considerably enlarged, the most specific addition being the allusion to “the presidential form of government”, which, considered in conjunction with what immediately follows, viz. “the independence and harmony of the Powers”, simply means that the “independent” power of the Executive (in the hands of the President) becomes an accentuated practical fact, confirmed henceforth by the letter of the Constitution. The 1934 Constitution omits the phrase about the presidential form of government, but is rather more elaborate in other respects, the general sense of the respective Article in the 1934 Constitution being to fortify the central power—as in 1926.

It was the then holder of the office of President of the



Republic who proposed the 1926 revision of the Constitution. He had no constitutional powers to do so. A clause was therefore inserted in Article 6 of the 1926 amendment, by which the Executive was empowered to guarantee "the possibility of constitutional revision". That retrospective provision was, however, in contradiction to Article 90 of the 1891 Constitution, which was nevertheless retained in the 1926 amendment. According to that Article, constitutional amendments may be made on "the initiative of the National Congress or that of the Assemblies of the States". In his Annual Message, read at the opening session of Congress in May 1924, the President admitted that when he had presented his electoral programme to the nation in 1922 he had made no mention of any project to revise the Constitution. That was quite natural, for had the presidential candidate in 1922 presented himself to the nation with a programme in which he declared that he proposed to take the initiative in having the Constitution amended (in order to strengthen his own power) it is extremely likely that he would never have succeeded in obtaining the backing of the political caste that put him in power, not because such a prospect would have been unwelcome to those politicians by any means—as they subsequently proved by voting the amendment—but because, owing to the unpopularity of their own candidate, that would simply have meant playing into the hands of the rival "unofficial" candidate, who happened to enjoy considerable popularity.

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It is characteristic of the presidentialist régime that the 1926 amendments referred to were promulgated while the country was in one of its chronic stages of siege—a state of affairs somewhat contrary to the democratic spirit supposedly animating a republican Constitution! But such considerations obviously carried no weight at all in the mind of the President in 1924, for in his Message to Congress he referred to "*the ultra-liberal régime* of the 1891 Constitution".

That is precisely what the political caste—the old die-hards and the new recruits—are afraid of to-day, whether they belong to the powers that be or to the powers that were; whether they call themselves advocates of “constituted authority”, “republican dictatorship”, “military Fascism”, or “sigmatic integralism”; whether they be self-styled patriotic reformers or professional politicians, or both. The few public men still left to-day in Brazil who have the courage to entertain liberal ideas—for it requires some courage even to entertain them—are considered as outside the pale, and are classified as “dangerous demagogues”. And nothing is so damaging as a label!

It is only just to remember that the President responsible for the 1926 amendments was committed to a praiseworthy policy of financial reform, which had been one of the principal planks in his electoral programme of 1922—the year which, until then, had marked the culminating point in wild public extravagance in Brazil. In order to effect his financial reforms and to equip himself to deal with the public finances of the states, many of which were already beginning to show unmistakable signs of financial rot, the 1922–26 President sought for a constitutional solution of the presidential disability “to intervene in matters appertaining exclusively to the states”. The real difficulty was, however, much more profound and much simpler. It was—as it still is—that popular control of the public purse cannot exist under a presidentialist régime.

It had been established by the 1891 Constitution that federal intervention might also take place (Article 6, sections 3 and 4):

To restore order and tranquillity in the states, on the demand of the respective governments; and to guarantee the execution of federal laws and judgments.

If those sections be compared with the corresponding sections (Article 6) of the 1926 amendments, it will at once be seen that, for all practical purposes, the autonomy of the

states was seriously menaced from 1926 onwards, without, incidentally, the slightest advantage to the public finances of the states. The question of local autonomy became a problem, and it is important to remember the fact, because it is a partial cause of many of Brazil's internal troubles during the past decade. Some political and financial aspects of that matter are dealt with in the chapter on the Financial "Agreement" of 1934. The psychological aspect of the 1926 clause about intervention is, however, of some interest, because of the circumstance that the Federal President responsible for its insertion—however sound his financial motives may have been—had been able to assume office only because the terrible drumfire of a state of siege had been let loose to enable him to do so. Moreover, at the very time that the Constitution was thus being amended, he was governing the country by dictatorial methods and under a continuous state of siege.

Finally, the amendments in Article 6 must also be considered in conjunction with the other 1926 amendments, not as being of merely academic interest to-day, but as having had a profound and lasting influence in still further restricting the relatively small liberties which the Brazilian citizen had, till then, had under "the ultra-liberal régime" of the 1891 Constitution.

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#### THE PRESIDENTIAL VETO

The preoccupation of the President in 1924 to put the finances of the nation in better order will be clear from Article 37, paragraph 1, of the 1926 amendments, and from a comparison thereof with the corresponding paragraph of the 1891 Constitution, which read:

If, however, the President of the Republic deem it (a bill) unconstitutional, or contrary to the interests of the nation, he shall refuse his sanction within ten working days from that on which

he receive the bill, returning it, within such period, to the House in which it originated, with the motives of the refusal.

Article 34 was also recast, but the essential changes therein are connected with guaranteeing that the Executive should not be circumscribed in its action by being left without supplies by the Legislature, whose supreme weapon was that of refusing to pass the Budget estimates. As amended, the 1926 Constitution relieved the Executive from any anxiety on that score by laying down that if the estimates were not passed, those for the current year should automatically remain in force, while the right to partial veto (in addition to the already existing one of full veto) further enabled the President to utilise budgetary authorisation and estimates as he pleased. That may be financially quite desirable. As a political principle it seems open to question. But, in practice, what it meant was that the President of the Republic had secured even greater freedom of action than that which he had previously enjoyed under the 1891 Constitution.

Brazil is sometimes the victim of those who have preconceived ideas to air, or personal grievances to retribute. But, more often than not, she is badly served by her own professional propagandists—who purvey their information in the wrong way—and by foreigners, who didactically convey wrong information and give false impressions.

An official report issued in London in 1929 stated that "Dr. Washington Luiz exercised a partial veto to cut down the Budget. Former Presidents interpreted their right of veto as absolute only, with the result that it was never exercised and was therefore ineffective." Both the fact stated and the resultant implication are false. In the first place, Presidents prior to Dr. Washington Luiz had no constitutional alternative but to "interpret" their power of veto as integral (which is probably what is meant by "absolute" in the report quoted). The Constitution did not, until 1926, accord to them the right of a partial veto. Secondly, the presidential veto had

often been exercised and "effective" before the period of Dr. Washington Luiz. The 1922 Budget, for instance, was vetoed by Dr. Epotacio Pessôa, as well as a large number of other legislative resolutions. What neither Dr. Pessôa nor preceding Presidents could do was to exercise the partial veto, because they had no constitutional powers to do so. The 1934 Constitution retained the principle of partial veto.

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#### HABEAS CORPUS

Several additions were introduced in 1926 in the section (Articles 59 and 60) dealing with the Judiciary. The Federal Courts were already authorised by the 1891 Constitution to try "political crimes"; but paragraph 5 of Article 60 of the 1926 amendment will repay attention. It disarmed not only the citizen, but the Judiciary itself, before the Executive Power, and reduced the state of siege to an incidental and constitutional commonplace in the daily life of a "free" republic! The most important modification, however—a very subtle one—was in paragraph 22 of Article 72. In the 1891 text it read:

Habeas corpus shall be granted in every case in which the individual suffer or be in imminent danger of suffering violence, or coercion, by illegality or abuse of power.

In the 1926 amendment this clause reads:

Habeas corpus shall be granted in every case in which anybody suffer or be in imminent danger of suffering violence by means of imprisonment or illegal restraint of his liberty of locomotion.

While the former wording implied that any illegality whatsoever entailing any kind of violence or coercion would justify habeas corpus, in the latter wording, i.e. the

1926 revised version, "coercion" was not dealt with at all, but only "violence by means of imprisonment" and "illegal restraint"; so that violence without imprisonment could not sustain habeas corpus, while the citizen had the onus of proving that the actual restraint was illegal and that it impeded locomotion. Thus a person might—and similar cases are known to have occurred—be "restrained" or "imprisoned" in his own bedroom, where he could not be said to be suffering "illegal restraint of his liberty of locomotion", for he could still walk from the washstand to the window. That, as I have hinted, is not a far-fetched instance. It may be one of those crossword puzzles offering pleasant distractions to legal sophisticators, but its operation spells not only distraction but confusion and the end of liberty for the unfortunate citizen. And that is what it has spelt in Brazil.

The really important point, however, on which this part of the 1926 amendment differed from the 1891 Constitution was the omission of the phrase "abuse of power". By that omission it was implicitly established that the Executive could do no wrong. There could be no such thing as "abuse of power", for the thing did not exist. The 1934 Constitution restored the phrase "abuse of power", but all the other clauses of the Article about the "inviolability of the rights relating to liberty", as well as the rest of the Constitution, were so contrived that they successfully curbed the freedom of the citizen and, as successfully, perpetuated the omnipotence of the Executive Power.

Brazilian politicians are thoroughly afraid of the word "democracy", and when some of them consent to cease hymning the virtue of 'strong governments', it is only to come forward as advocates of 'social democracy'; and, in practice, the conception of the qualifying word in the latter phrase is merely that the citizen is to lose his rights as an individual and to be the slave of the State.

Under presidentialist régimes there is no Statute of *Praemunire* which the citizen can invoke against the papal authority

or Pragmatic Sanctions of Presidential Power. Heads of presidentialist states may hesitate to go as far as Louis XIV by saying they are the state. But what they could say, with perfect truth, is that they represent States of Siege.

It was against the autocratic tendencies of the 1891-1926 Constitution that the 1930 revolution was ostensibly made. It was to abolish them that the Constitution was abrogated by the 1930 revolutionaries. And it was to perpetuate and accentuate them that the composition of the Constituent Assembly of 1933-34 was so cunningly and methodically pre-arranged by the Provisional Government which the 1930 revolution had, quite fortuitously, placed in power.

Outside the rococo Chamber of Deputies at Rio de Janeiro is an enormous statue to a national hero, Tiradentes, who was executed in 1792 for daring to hold liberal opinions about the rights of citizens. But the figure of that heroic patriot has long since ceased to be an inspiration to the "representatives" of the people. It is a warning.

## 2.

Some idea of the atmosphere in which the Brazilian Constitution of 1934 was elaborated and promulgated may be gathered from a few notes and excerpts, taken at random, from the Brazilian press. But, before proceeding to give them, it may be noted that, two days before the Constitution was promulgated, the Official Gazette published more than *fifty* decrees of the Provisional Government, vitally affecting public life and social administration in Brazil. Some of these decrees ordained large expenditure of public moneys; one of them committed the Government to an increased annual expenditure of from £700,000 to £1,000,000 for the renewal of the fleet; while, in addition to others which involved immediate or eventual expenditure, various decrees specifically authorised credits amounting to over £600,000 (equivalent).

The last-minute haste to get these decrees published is to be attributed to the fact that the text of the Constitution, to be promulgated forty-eight hours later, included a clause approving all the acts of the Provisional Government. This wholesale endorsement by the Constituent Assembly of all the acts of the Provisional Government is contained in Article 18 of the Constitution, which states: "The acts of the Provisional Government, of the federal Intervenors in the States and other delegates of the said Government are approved, and *any judicial consideration of the said acts and of their effects is excluded.*" Supplements of the Official Gazette were also issued *after* the promulgation of the Constitution, bearing back dates and containing decrees signed by the Provisional Government.

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"The governors in S. Paulo and other States must be the centres of resistance to the disguised fascism of the Central Government. When this resistance has triumphed, we must think of reforming the Constitution. This reform must be prepared in the sense of securing that public opinion shall exercise control over reactionaries and unitarists, until they be relegated to their proper position" (*Diário Popular*, May 19, 1934).

"A great evil, if not the greatest evil, from which Brazil suffers is the lack of cultural and civic education and of national spirit, and the absence of patriotic sense. Only on rare occasions has a Brazilian Government or the opposition aimed at defending a principle, a programme, or an idea. . . ." "Our public men gyrate within a chalk circle of personal advantages, unmindful of the obligations they have assumed towards the country. What we see in the political arena is the eternal strife of rivalries and the violent shock of personal necessities superimposed on the necessities of the people" (*Folha da Manhã*, June 23, 1934).

"This new Constitution, with its Bolshevist, Fascist,



Syndicalist, and Clerical ideas, is an absolutely indigestible fruit salad, which will 'turn up' the stomach of the Nation. This new Constitution is the permanent subversion of public order in the country" (Dr. Mario Pinto Serva, in *A Gazeta*, June 26, 1934).

"The Constitution of July 16th was promulgated under bad auspices, for, ever since the hour of its operation, it is being violated. The election of the President of the Republic took place in violation of Article 1 of the Transitory Provisions combined with Article 52." (Article 1 provides that 'there shall be no disqualification' for the election of President for the first constitutional period; but Article 52 enjoins that the President may not be re-elected, except after an interval of four years from the time he last held office.) "The press law, which came into force almost at the last moment, is nothing but a heap of violations of the constitutional precepts which regulate the subject" (i.e. Art. 113) (*Correio de Manhã*, July 26th, 1934).

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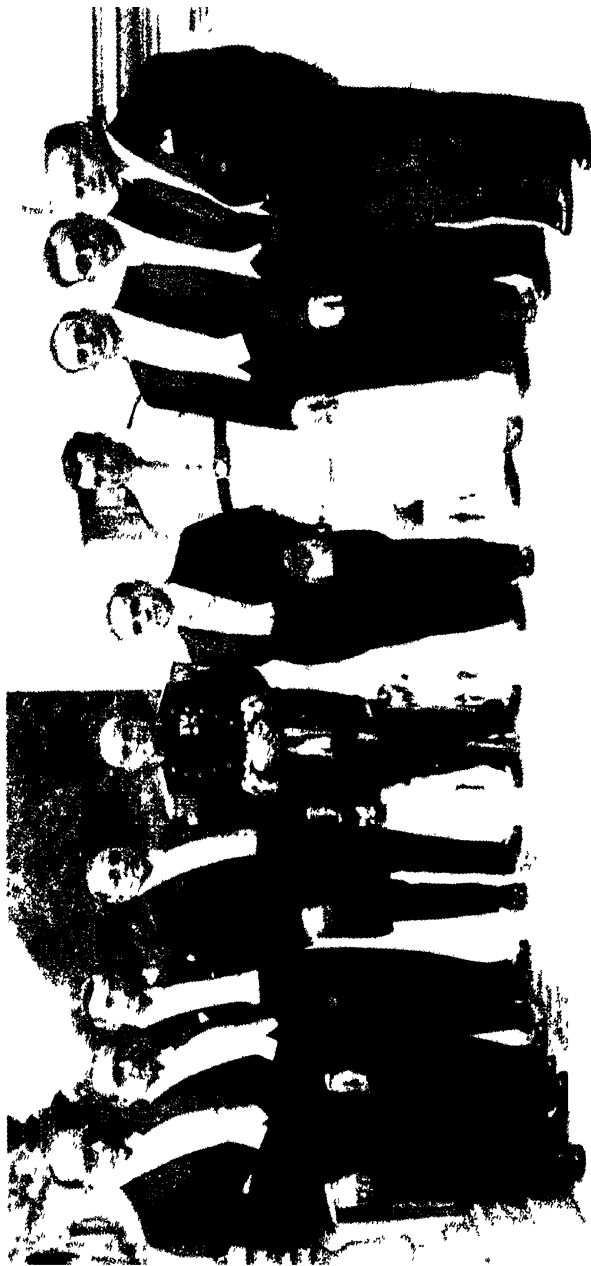
On July 20th, 1934, Dr. Getulio Vargas entered the Hall of the National Constituent Assembly and "while flower-petals were thrown at him" (*O Estado de S. Paulo*) walked to his place at the right of the President of the Assembly to make the prescribed affirmation to "maintain and fulfil with loyalty the Federal Constitution, to promote the general welfare of Brazil, to observe its laws, and to uphold its union, integrity, and independence". Except that the adjective "perfect" qualified "loyalty" in the 1891 Constitution, the wording of the affirmation in the new Constitution was the same as that of the old. (The first new constitutional President's period is to end on May 3rd, 1938.)

At the very moment when this short ceremony of presidential instalment was taking place, a Manifesto by Dr. Getulio Vargas to the Nation was distributed to the leading politicians and the press. The Manifesto was short and quite colourless,

consisting largely of a list of some of the more important enactments of the Provisional Government. Some interest, however, attaches to the closing passages, in which Dr. Vargas states that "the legitimacy of the supreme mandate" of President of the Republic, conferred on him by the Constituent Assembly, "is as unquestionable as that of the Constitution which it promulgated. These two acts are conjugated and indissolubly complementary". It was, the President went on to state, quite unnecessary for him to say that he had "never directly or indirectly insinuated the desire to be invested with that office. I merely submitted to the categorical imperative of the moment derived from the revolution (scil. of 1930) itself, which imposed the continuation of its work, initiated in the dictatorial period. The royal dignities of power never seduced me. When I accepted the indication of my name by the Constituent Assembly, I bowed to the duty of completing the programme outlined in these last three years." It is to be observed that Dr. Getulio Vargas had, until that hour, maintained a discreet, if not enigmatic, silence as to his candidature.

His Excellency then continued that there were "three fundamental problems in Brazil, within which its progress is triangulated, viz. sanitation, education, and peopling. . . . Brazil's problem demands a Brazilian solution. The first duty of a governor is to release the people from the obscure yoke which has strangled it throughout the ages." The closing statement of the President's Manifesto was: "Only a strong people, instructed in and conscious of its enormous responsibilities, can lead this vast country, of the size of a continent, to its higher destinies. And the Brazilian people, by its virtues, is worthy of the cradle in which it was born."

As a piece of ornamental rhetoric, the Manifesto may have had its points. As a practical guide, not perhaps to the "higher destinies" of the Brazilian nation, but to the solving of its immediate necessities in the face of enormous and constant deficits in the public administration, in the face of onerous



BRAZILIAN FEDERAL EXECUTIVE. FORMED 23rd JULY, 1934

FROM LEFT TO RIGHT.—Dr. Gustavo Capanema (Education); Dr. João Marques dos Reis (Public Works); Dr. Vicente Ráo (Justice)  
Dr. José Carlos de Macedo Soares (Foreign Affairs); Admiral Protopogenes Guimarães (Marine); Dr. Getúlio Vargas (President of the Republic)  
General Góes Monteiro (War); Dr. Arthur de Souza Costa (Finance); Dr. Odilon Braga (Agriculture); Dr. Agamenon Magalhães (Labour)



taxation, of commercial and economic difficulties, of Government restrictions in the money market, of threatened financial collapse and of grave political uncertainty, the Manifesto was singularly unilluminating and uninspiring.

\* \* \*

"The Constitution assures to Brazilians and to foreigners resident in the country the inviolability of the rights relating to liberty, subsistence, individual safety, and property." Thus runs the opening sentence of Article 113 of the new Constitution, and it is followed by no fewer than thirty-eight clauses which specify what the "rights to liberty" are and how they are to be applied in benefit of the citizen.

Article 72 of the old Constitution, dealing with the same matter, was nearly as long. But there was an important difference in one respect. Paragraph 13 of Article 72 of the 1891 Constitution laid down:

With the exception of cases of *in flagrante delicto*, no arrest shall be made except after pronouncement of the accused, save the cases determined in law, and by means of a written order from the competent authority.

Paragraph 21 of Article 113 of the 1934 Constitution ordained:

No one shall be arrested except *in flagrante delicto*, or by written order of the competent authority, in the cases expressed in law. The arrest or detention of any person shall be immediately communicated to the competent judge, who shall remit it, if it be not legal, and promote, whenever such course be lawful, the responsibility of the coercing authority.

In this respect, therefore, the new Constitution offered greater, or at least more apparent, guarantees to the citizen.

Now, apart from the fact that the 1891 Constitution had been declared null and void, in November 1930—when the

revolutionary Government seized power—it might have been supposed that, even in these modern days of self-satisfied quackery posturing as scientific government in so many quarters of the globe, one Constitution at a time was as much as any country could conveniently get along with. But, on August 31st, 1934, the Chief of Police at Rio de Janeiro issued an order (to the police authorities, to continue to act as heretofore in the matter of arrests) beginning with these words: "Whereas paragraph 21 of Article 113 of the Constitution of July 16th did not alter the precept of paragraph 13 of Article 72 of the Constitution of 1891. . . ."

It is not surprising that the mass of the Brazilian nation has lost all faith in its law-givers and has small hope of any Constitution whatever having anything to do with charity in its real sense. The Brazilian man-in-the-street is no longer moved when he reads that, immediately after the promulgation of the Constitution, one of the leading members of the Constituent Assembly, in a studied outburst of impassioned oratory, said that no speech, however eloquent, could adequately express the imposing significance of that moment, when Brazil, once again free, "comes before the world to affirm her culture in the Carta Magna, which—in spite of what anybody may say—is a model of liberalism"!

\* \* \*

The Brazilian nation, though inured to political and financial shocks, was somewhat startled to learn that, on the 17th November, 1934, the President of the Republic had sent a Message to Congress, submitting a decree in which the Executive proposed "to perform all the credit operations which might be necessary to cover the deficit of the present financial period"—which ended on December 31st, 1934—"and to regularise the situation of the Treasury". The Message suggested that the credit operation should consist of "the issue of promissory notes in favour of banking establishments",

the notes being allowed to be taken "to the Rediscount Department of the Bank of Brazil, independently of the limit established for the operations of the said Department".

As the officially admitted deficit, on the date of the Message, was over 800,000 contos, the general public at once came to the justifiable conclusion that the real deficit, as at December 31st, 1934, was likely to be over 1,000,000 contos, or approximately £20,000,000. The public also remembered that the same genus of promissory notes had been issued in January 1933, to the equivalent of some £10,000,000, and directly discounted by the Bank of Brazil. Finally, the public asked itself where all its money was going to in an epoch when the Government was owing large sums internally, and when its public debt service had been reduced to what were mere token payments. Having considered these aspects of the nation's finances, some members of the public fearfully whispered the word "repudiation", adding, with all sincerity, *absit omen!*

\* \* \*

The Financial "Agreement" of February 1934 and the previous arrangements about frozen credits, which the Government had made with its broker-bankers abroad, proved, according to the Brazilian Minister of Finance (November 19th, 1934), "how greatly Brazil was concerned to correspond to the confidence not only in the Government, but in the commerce of the country". The phrase is obscure. It appears to mean that the Government had confidence in the Government and that the Brazilian people endorsed that confidence. As a matter of fact, however, the people had, as usual, had no say of any kind in those matters. The Minister then alluded to the "world-wide depression", which is always either invoked to account for the absence of sound political ideas by Governments in Brazil, or is adduced to justify, and, if possible, explain, the results of wild administration. The difficulties in the exchange market were, said the Minister,

"continuing to increase at an alarming rate, and it is not hard to foresee the situation of impasse in international relations to which they will be bound to lead". The Minister of Finance made this speech at Santos, at the opening of the new Customs House, forty-eight hours after the Government had made its proposal to issue promissory notes to cover the 1934 Budget deficit—a proposal which, on the same day as the Minister's speech was uttered, knocked the bottom out of the free exchange market at Rio de Janeiro, where the currency quotation for £1 soared from 66 to 76 and even 80 milréis!

It might be argued that the fact that the deficit for 1934 was approximately one million contos, on a Budget in which revenue and expenditure were supposed to balance at about two million contos on each side, had nothing to do with the Constitution, and that, on the contrary, it showed that four years without constitutional government in Brazil had been responsible for that phenomenal deficit. But nothing is farther from the truth. The Constituent members, having promulgated the new Constitution on July 16th, prolonged their own legislative life until December 31st, 1934, for various reasons, the most important of which was the specifically alleged purpose of elaborating the 1935 Budget. The whole period from July to October was, however, occupied by most of them in trying to secure their own re-election for the first Legislative Congress, due to meet on May 3rd, 1935, and to last for three years. They delayed dealing with the budgetary proposals at all, until a few hours before the expiry of the constitutional time-limit (November 3rd) for passing the Budget. They further blocked the readings of that financial measure until they had assured to themselves—and their successors, who were in most cases auto-successors—a stipend of over £100 per month for their arduous legislative labours as deputies, and they then proceeded, in breathless haste, to vote the Budget for 1935, with a glaring deficit of £10,000,000 (i.e. approximate equivalents: revenue, £36,000,000; expenditure, £46,000,000).



The budgeted deficit for 1934 was about £5,000,000, and eventually resulted, as I have shown, in a real deficit of some £20,000,000. It was therefore to be expected that arithmetically minded taxpayers in Brazil should be apprehensive as to what the real budgetary deficit would be on December 31st, 1935, when the estimated deficit was one of £10,000,000.

The Executive's Budget proposals for 1935 had already shown a large deficit. But Congress—the very selfsame members who had elaborated the Constitution—forthwith gave a first-hand demonstration of what any constitution is actually worth under any presidentialist régime. The members of Congress first of all refused to bother their heads about the nation's accounts at all—being engaged in the far more engrossing pastime of securing (at the general elections of October 14th) their own re-election to the National Congress, or else their return (at the same elections) to the local Assemblies of the twenty states of Brazil. They then, very casually, proceeded to *increase* the Executive's budgeted deficit by *twenty per cent.* Whereupon the President of the Republic exercised the partial veto by reducing that increased deficit by *three per cent.* And that is all that "control of the nation's purse" ever amounts to in any country living under a system of irresponsible government, whether that régime be one of frank and unabashed personal dictatorship, or of despotism masquerading in the robes of legalised tyranny and calling itself a presidentialist democracy.

\* \* \*

The preamble to the first republican Constitution of 1891 was:

We, the representatives of the Brazilian People, assembled in Constituent Congress, to organise a free and democratic régime, Establish, Decree and Promulgate the following.

In the 1934 Constitution, the preamble ran as follows:

We, the representatives of the Brazilian People, placing our trust in God, met together in National Constituent Assembly, to organise a democratic régime, which shall assure to the Nation, unity, liberty, justice, and social and economic well-being, Decree and Promulgate the following.

It was characteristic of the new Constitution to be prolix and confused, but the addition of the words "placing our trust in God" is significant. In a country where domestic tragedies are frequent, because there is no divorce law, and where the absence of such a law means that marital differences create a serious social problem, because there is no legal remedy to adjust the inevitable and normal relation between the other man and the other woman, there is general agreement among thinking men that a law of divorce is a crying need. The clerics think otherwise; and the introduction of the phrase referred to was not a tribute to the estimable religious sentiment of the Brazilian people, but represented the price paid by interested politicians for securing clerical influence in their favour at the subsequent general elections. The real value of that invocation of the Almighty, however admirable in itself, is to be gathered from the fact that the divorce remedy, promised to the nation, was, after unedifying lobbying, excluded from the text of the Constitution, while the civil validity of religious marriages was included therein as an innovation in republican Brazil. Thereafter followed the imperial ceremonial and the princely pomp with which the Cardinals attending the Eucharistic Congress at Buenos Aires were received at Rio de Janeiro in October 1934.

The dominant political elements, in order to secure their permanence in power, "strengthened the weak hands" by encouraging the Brazilian form of Nazism, which is known as Integralism, and "confirmed the feeble knees" by leaning on clericalism. In doing so, they achieved what they were most

afraid of. They began to make Communism quite popular in Brazil.

\* \* \*

The new Brazilian Constitution was promulgated on the 16th of July, 1934. On the next day the framers of the Constitution elected the Head of the Provisional Government to the office of constitutional President of the Republic. At that precise moment, the new political machinery, which had started in November 1930 as a revolutionary Government to obliterate jobbery, had come full turn; it had completed the circle. For the general elections held three months later, the friends of those in power were once again known by the old, time-worn title of *situacionistas*. The elections were held in admirable order—after weeks of disorder throughout the country. Peace reigned; that kind of peace which, on a celebrated occasion, enabled a Czarist Russian Minister to proclaim blandly to the world at large that ‘Peace reigned at Warsaw’.

Brazil had gone through all the vicissitudes of revolution, dictatorial government, more revolutions, and the convocation of a Constituent Assembly “to organise a democratic régime”, only to arrive, financially weakened and economically disillusioned, at the same condition of political atrophy as had characterized the whole of her previous republican life. Unfortunately, the last state was considerably worse than the first; for very active forms of extremism had, in the meantime, been added to the body politic, viz. clericalism, integralism, and—as the result of both—a very militant form of Communism.

\* \* \*

The Brazilian student of his own political conditions might therefore be excused for rubbing his eyes, when he read, in his newspaper of the 24th August, 1934, a Havas telegram informing him that a London daily, in a leading article,

had stated that "Brazil had just entered, under good auspices, on a new constitutional phase". The auspices were not good; and to say that they were is no real earnest of friendship for Brazil; it is merely to be misinformed, or lazily to persist in wearing rose-coloured glasses.

The first Minister of Justice of the revolutionary Government, a few days after that Government came into power in November 1930, declared in an interview to the press that 'everything in Brazil required reforming *de fond en comble*'. But the only change that was achieved was the gratuitous creation of new social problems. When the moment eventually arrived for drafting a new Constitution, nobody could think of anything better, or nobody wanted to do anything better, than strengthen the heady wine of presidentialism by the addition of haphazard, but potent, forms of extremist doctrines of Bolshevism, Fascism, Nazism, and Clericalism: and they tried to insert all this raw, over-proof spirit into the old constitutional container of 1891. Unfortunately, the operation of putting new wine into old bottles is still fraught with disaster.

## CHAPTER X

### STATE OF SIEGE

#### ITS APPLICATION BY BRAZILIAN PRESIDENTS

SO frequently has the "state of siege" been applied by republican Governments in Brazil that it has become a normal phenomenon of the presidentialist régime.

The Constitution provided that Congress could "declare in state of siege one or more places of the national territory in the emergency of aggression by foreign forces or of internal commotion". The term "intestine commotion" is used interchangeably with "internal commotion". It was further laid down that the state of siege which might have been declared by the Executive in the absence of Congress had to be subsequently approved or suspended by the latter.

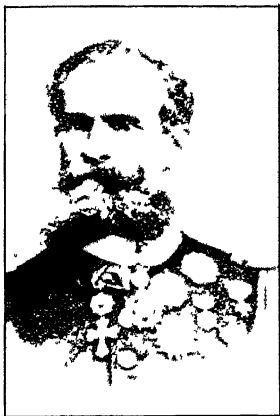
The Brazilian Penal Code places ample powers at the disposal of the Executive to deal with disturbances, tumults, sedition, conspiracy, and unlawful gatherings, in the suppression of which armed force and imprisonment may be employed without a special warrant. Obviously, therefore, the extreme expedient of declaring a state of siege was intended to be applied in some contingency even graver than those provided for in the Penal Code. Such contingencies, according to the late Dr. João Barbalho (Judge of the Supreme Federal Court, and one of the accepted authorities on the Brazilian Constitution) in his *Commentarios*, "can be no other than rebellion, revolution, intestine war, which menace not public order merely, but the very safety of the Republic". North American public law, which Judge Barbalho called "the matrix" of Brazilian public law, is quite clear on that

point, viz. that the suspension of habeas corpus is permissible only "in cases of rebellion or invasion". Indeed, it is obvious and very natural that the "internal commotion" has to be of such a grave nature that it is equivalent to "aggression by foreign forces"; in other words, that to justify the application of the state of siege in the absence of foreign invasion there must be intestine war of a nature equally menacing to the safety of the nation as hostile foreign invasion would be. Otherwise the use of the military term—state of siege—would be entirely out of place.

The fact that the "state of siege" has been used almost as an everyday utility by successive republican administrations in Brazil (as well as by Governments in other Latin American countries) cannot change the interpretation of what set of conditions a state of siege is intended to meet. To say that such conditions must be of supreme gravity to the very existence of the nation is not only common sense but good law. There have no doubt been some rare occasions when the state of siege might be held to have been justifiably applied in Brazil. But the frequent and indiscriminate use of that drastic measure in cases in which the President of the Republic has felt that his wishes were threatened or his scope of action restricted by public opinion,\* the continuance of the state of siege long after the termination of the "internal commotion" which was—rightly or wrongly—held as justifying that measure, and its employment as a merely preventive expedient, have engendered the very "intestine commotions" it was invoked to suppress.

Declaration of a state of siege in Brazil has, more often than not, been nothing but a violent extension of the arbitrary powers normally wielded by the Executive under the presidentialist régime. It is true that the Legislature had the exclusive right of enacting or of subsequently approving or sus-

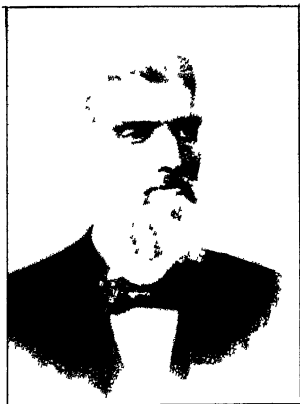
\* "Cette force est instituée pour l'avantage de tous, et non pour l'utilité particulière de ceux auxquels elle est confiée."—Art. 12 of the "Déclaration des droits de l'homme."



MARSHAL DEODORO DA  
FONSECA  
1889-1891



MARSHAL FLORIANO  
PEIXOTO  
1891-1894



DR. PRUDENTE DE MORAES  
1894-1898



DR. CAMPOS SALLES  
1898-1902

PRESIDENTS OF THE REPUBLIC





pending that measure. But the leaders of the Legislature were all potential candidates for the office of President of the Republic—or past holders of it! In any case, they all belonged to the dominating political caste—all, that is, except an unruly but impotent minority, unruly because it was impotent. The result was that any President had merely to ask Congress to decree a state of siege, or do it himself and later on get Congress to approve his action. The matter was simplicity itself, more especially as to vote with the minority was to become suspect, and to be thereafter and for ever excluded from any share in the “spoils of office”.

But all that was far from being the intention of the framers of the Constitution. Indeed, it was not in accordance with the letter of that instrument. Any other intention or wording would have meant that the legislators of the Constitution had included dictatorship in a sort of constitutional hagiography.

The proper interpretation of the matter was succinctly given by the late Dr. Ruy Barbosa in his work *The State of Siege, its Nature, Effects, and Limitations*.

“The clause ‘intestine commotion’”, he wrote, “is noticeable in the text as a party wall (if I may be permitted the phrase) with the clause ‘foreign invasion’; they are married, united, twin clauses. The danger which it is desired to anticipate is that sort of anomalous and supreme danger of which the hypothesis *foreign invasion* gives us the measure. The law associates and compares *intestine commotion* with a calamity of that nature. The equivalence is manifest and incontestable. The evil against which the country is to be protected is the same, viz. imminent risk to the Republic. Such risk may derive from one of the following two origins: intestine commotion or foreign invasion. Therefore in order that, in the acceptance of the text, intestine commotion should occur it is necessary that the disturbances which characterize it be analogous, by their gravity, to those which accompany the presence of the enemy in the territory of the country.”

The chronology of states of siege and discretionary powers

as practised by the Executive in Brazil is of some interest—of chronic interest.

Marshal Deodoro da Fonseca exercised discretionary powers from the declaration of the Republic in 1889 until the promulgation of the Constitution in 1891, viz. for 467 days. During the remaining 271 days of his period as first Constitutional President there was a state of siege for 20 days. He resigned and was succeeded by the Vice-President, Marshal Floriano Peixoto, during whose period of a little over two and a half years the country was in a state of siege for over nine months. In practice, the Government during the presidential periods of these officers was a despotic one. Both Presidents happened to hail from the State of Alagoas, but they attained to supreme power in virtue of their position in the Army and not for any regional considerations.

The constitutional period of office for the President is four years, and the expedient of a state of siege was applied by successive Presidents as follows:

Dr. Prudente de Moraes (1894–98) from S. Paulo, with Dr. Victorino Pereira from Bahia as Vice-President. State of siege for over three months.

Dr. M. F. de Campos Salles (1898–1902) from S. Paulo, with Dr. Rosa e Silva from Pernambuco as Vice-President. No state of siege, owing to "Governor's Policy", explained elsewhere.

Dr. F. de P. Rodrigues Alves (1902–6) from S. Paulo, with Dr. Affonso Penna from Minas Geraes as Vice-President. State of siege for over three months.

Dr. Affonso Penna (1906–9) from Minas Geraes, died in office, and was succeeded by the Vice-President, Dr. Nilo Peçanha (1909–10), from the State of Rio de Janeiro. No state of siege.

Marshal Hermes da Fonseca (1910–14) from Rio Grande do Sul, with Dr. Wenceslau Braz from Minas Geraes as Vice-President. State of siege for nine months.

Dr. Wenceslau Braz (1914–18) from Minas Geraes, with

Dr. Urbano Santos from Maranhão as Vice-President. State of siege for over twelve months.

Dr. Rodrigues Alves, from S. Paulo, died before taking office. New elections made Dr. Epitacio Pessoa (1919-22), from Parahyba, President, with Dr. Delphim Moreira from Minas Geraes Vice-President. State of siege for four months.

Dr. Arthur Bernardes (1922-26) from Minas Geraes, with Dr. Estacio Coimbra from Pernambuco as Vice-President. State of siege for nearly two years, at various intervals.

Dr. Washington Luiz (1926-30) from S. Paulo, with Dr. Mello Vianna from Minas Geraes as Vice-President. State of siege for over two months.

Dr. Julio Prestes (1930-34), from S. Paulo, with Dr. Vital Soares from Bahia as Vice-President, was not installed, owing to the revolutionary movement of October 1930, which placed Dr. Getulio Vargas, from Rio Grande do Sul, in office with "discretionary" powers.

The preponderance of politicians from S. Paulo and, to a lesser degree, from Minas Geraes in the supreme Federal administration is very noticeable.

## CHAPTER XI

### THE ATMOSPHERE OF REVOLT AND THE COST OF REVOLUTIONS

IT is sane and not insane people who sometimes give way to despair and commit suicide, and it is sane people, for whom life has no sane attraction, who make revolutions.

Bolton would probably be very stale without its Wanderers, and Tottenham somewhat unprofitable without its Hotspurs. But the trivial round in Europe, especially in England, is pleasantly relieved by all kinds of small excitements and diversions—from Cup Ties and Australia's views on Mr. Larwood to the Lord Mayor's Show and Mr. Shaw's views on the pronunciation of English.

Latin Americans, however, do not know how to amuse themselves. The Englishman is supposed to take his pleasures sadly. The Latin American does not take them at all. Football has, it is true, caught on so thoroughly in Brazil that *futebol* is a national game; ping pong has become *pingue pongue*, and considerable enthusiasm is manifested in the local press when some local hero delivers a *nocaute* blow to the point. But the Latin American does not derive much amusement from all this; and what the Brazilian probably gets least fun out of is what he regards as his own special diversion: Carnival.

Psychologically, Carnival in Brazil is a desperate attempt on the part of the common people to forget the deadly monotony of the common task, for three days and three nights in the year. It is their synthetic nirvana—an annual indulgence in artificial stupefaction.

It owes its peculiar historic manifestations in Brazil to

African influences. These are to be observed in certain typical music, such as the *samba* and the *jongo*, which date from the Colonial period, as well as the modern *maxixe* and various fetishistic dances, the names of some of which (e.g. *batuque*, *catimbó*, and *makumba*) are applicable not merely to the dances, but to practices directly deriving from voodooism. Throughout all strata of Brazilian society there is a marked infiltration of voodoo superstitions, which a politically ambitious section of Roman Catholicism in Brazil found and still finds it more convenient to exploit for its own purposes than to eradicate. Native Indian influences on cultural expression in Brazil were less strong than African. What predominates in the subconscious religious sentiment of Romanist Brazil is African superstition, which readily accepted the more showy forms of Roman ritual. A fine, almost imperceptible but strong vein of Indian fatalism permeates the fusion of Roman mysticism with African irrationalism. The simple piety of Christian chants became impregnated with the superstitious credulity of heathen incantations, and the natural charm of life was supplanted by fetishistic belief in the virtue of Neapolitan charms and Congo rattles.

In former days the African slave in Brazil found, in his ancestral, rhythmic dances and externally childish, but to him occultly portentous, songs, a means of satirical discharge of pent-up feelings against his white oppressor. That is the real underlying and atavistic significance of the Brazilian Carnival, which is claimed as a national institution of traditional jollification, but which is really a traditional manifestation of grim sarcasm. It is, by historical origin, an explosion of bitterness—the bitterness of the oppressed, and not any mere Catholic orgy before Lent. It is still the occasion on which the common people of Brazil come nearest to the healthy wisdom of playing the fool. But the historic tradition remains—unconsciously. It is still the only officially recognised occasion in presidentialist Brazil when the people may give vent to its feelings. But though the people may wear the

motley of Rigoletto, what they really represent is the tragic figure of Rigoletto in the Second Act—singing in impotent rage to the satellites of despotism: *Cortigiani, vil razza dannata!*

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All sorts of new labour codes, of the kind of which decree-making despotism is so prolific, have been instituted in Brazil in recent years, and holiday regulations are as plentiful as blackberries. But the fact is that the average Brazilian of whatever walk in life takes no holidays. When he does get a few days off, he reminds one of the young man who was "all dressed up and nowhere to go". These conditions may change in course of time; but meanwhile the trivial round of the Brazilian is completely devoid of gaiety and he gets no fun out of life. There is plenty of wit, but no humour. The anxious preoccupation of how to get a living and move so warily that one may continue to have one's being not unnaturally precludes any real fun. The monotony of life in the interior envelops the inhabitant like some dismal pall. Broadcasting and the cinema are effecting a small, superficial change in those conditions; but it is nevertheless still true that the most constant characteristic of life in Latin America, and not least in Brazil, is sameness and staleness. And that is true of life in town as well as in the country, where an insane Customs tariff has made the standard of living pitifully low. A prominent Brazilian surgeon once told a friend that he was longing to get away to Europe. On being asked if he had any research work in view, he replied in the negative, saying rather wearily: "I just want a bath of civilisation!" There was nothing snobbish about that desire. It is not that there are not musical, artistic, and literary societies in Latin America, and good ones too. But there is something rather formal, *stylé*, about them. They owe nothing to the spontaneous gaiety of the Maypole. They have not naturally emerged from the necessity of finding some collective centre of tastes in

common. They exist because it is right and proper that they should exist. Artistic enthusiasms are absent from everyday life. In the arts, as in science and learning, students are more anxious—and especially their parents for them—to secure a diploma of some sort than to get an education. On the other hand, Brazilians seem inclined to confuse knowledge with culture. The Germans made the same mistake and tried to cover up their error by barking about *Kultur*. Easy university degrees in Brazil create dangerous illusions.

The life of the average citizen in Brazil is not a full life. It is lethargic in its stiff rigidity among the educated classes in the towns, and it is equally lethargic in its colourless uniformity in the interior among all classes. Moreover, the Brazilian lives in an atmosphere of oppression—the oppression of tyranny which emanates from the presidential throne and is disseminated downwards through the multiple activities of quotidian occupations, the least of which is hedged about with coercive decrees and restrictive regulations. That is why the atmosphere is psychologically propitious for any break in the tedium, and for the stimulation of change that the vicissitudes of a revolution offer. The human desire for small emotions in Doncaster and Portsmouth, for instance, is adequately met by the exciting news that the “Doncaster Rovers have transferred their outside-left, So-and-So, to Portsmouth at a substantial fee”. The same emotional necessity in the interior of Latin America is met only when a local *politico* has transferred his roving allegiance to some rival political group (probably for an equally “substantial fee”) and a breathless man on mule or horseback dashes into the village square to acquaint all and sundry with the fact, concluding his passionate harangue by rising in his stirrups and crying excitedly: “*Partamos a la guerra! Viva la Revolución!*”

Appreciation of this atmosphere furnishes some clue to why revolutionary movements catch on among the common people, who have little to gain if a revolution be successful, and may risk something if it is not. Portsmouth having

bought a new outside-left is obviously convinced that it has now found the means of routing some deadly rival and securing a coveted cup. Previous disappointments do not weigh. The same holds good of Latin American listeners to the man on horseback who answer his appeal by going off to war and hoping that the revolution will "live long". Though the influence of these conditions is no doubt waning, yet this mental outlook does not yet definitely belong to the past. The man on horseback now uses a motor-car or a loud-speaker; but his audience is becoming less and less impressed by his vehemence. They are tired of buying political outside-lefts or centre-forwards who persistently fail to "find the net". They are beginning to realise that, in any case, the gate-money never comes their way. They are by no means so ready as they used to be to march gaily off singing some local version of *Malbrouck s'en va-t-en guerre*!

Dictators in Latin America are aware of that fact. That is why they are now more insistent than ever on preaching the doctrine of the innate incapacity of the people for self-government, as a justification for government by repression of individual opinion and of political liberties.

The future war-songs of Latin American revolutionaries will probably not be so gay as they were. They are likely to have something sinister about them—something of the grim directness of the *Carmagnole*.

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Apart from the passive conditions noted above, there are two active influences directly producing a feeling of unrest and personal revolt, which in turn create the atmosphere in which the flame of political oratory produces the explosion called revolution. Those influences are police methods and taxation processes, and they must both be considered in conjunction with the cost of revolutions.

Revolutions are expensive luxuries. (In Colombia, for instance, it has been reliably estimated that, up to the beginning



of this century, thirty-seven million gold pesos had been expended in revolutions.) Indirect losses to the country and to individuals are always difficult to estimate; but they are often considerable. Direct losses are invariably heavy, but equally difficult to ascertain with accuracy. Those who could tell will not! There is, however, usually no outcry that they should do so, because the bad effects of issues of bonds and paper-money are seldom immediately apparent. But it is inevitable that the moneys spent both by the "legalists" (as those who happen to be in power call themselves) and by the "revolutionaries" eventually become a direct burden on the whole community.

The sinews of revolutionary war come from the public treasuries—provincial, municipal, or federal—in other words, from the taxpayer. There are never any revolutionary "party funds". No leading revolutionary (who knew his job) ever became poor by starting a revolution, even when it proved unsuccessful. Things are not done that way. South American revolutionary leaders are not expected to dip into their pockets in order to "back their fancy". The game is to snatch what can be swept in from some public tills, and to grab whatever material is at hand. That is termed "requisitioning". If it is done skilfully, it can be very profitable. Meanwhile, the amounts spent by the Government in power on special "purposes" to prevent the outbreak of armed revolution (in the first instance, by trying to buy it off), and to suffocate it, when it has declared itself, are simply enormous. They are, incidentally, out of all proportion to any conceivable advantage to the nation either in having the existing Government (whoever may compose it) remain in office, or in having it replaced by the revolutionaries (whoever they may be). Hundreds of thousands of pounds, besides, always seem to evaporate in this tense atmosphere. They just disappear. There is also the subsequent matter of compensation and indemnities for damage done by both sides. The settlement of claims brings into activity a swarm of camp-followers, un-

officially attached to those who have kept or succeeded to power, and experts in "getting claims through". These marauding gentry thrive on revolutions, and the public pays the piper, while profiteers dance to the revolutionary tune that was called.

The universal economic difficulties resulting from the Great War do not by any means explain Brazil's economic difficulties to-day; still less do they account for the levy of ever-increasing taxation. The product of such taxation has not been used for meeting any burden imposed on the Brazilian nation, even indirectly, by the War. Increased taxation and financial difficulties in Brazil are to be ascribed solely to bad financial administration, to lack of probity or ability in her public men, ignorance or unpatriotic contempt of even the rudimentary principles of political economy, silly experimentalism in public finance, Government meddling (usually for interested motives) with trade, reckless borrowing from abroad, and—above all—to a political régime which has had the inevitable result of excluding the best talent and the most upright characters from Brazilian public life. Among all its other pernicious effects, that régime has entailed the expenditure of vast sums of the Brazilian taxpayer's money in order to keep interested parties in office, called maintaining the Principle of Authority; in order to try and get other equally interested parties into office, called endeavouring to enforce the sacred principles of the Constitution; and in order to pay for damage done, and for the illicit profits made when the two parties eventually came to blows, which is called making, or, alternatively, crushing a revolution.

There is no more predisposition to dishonesty in Brazil than elsewhere. Honesty is, in any case, not an innate quality in humanity. It is a matter of education and environment. There are plenty of honest men in Brazil. But there is very little chance of their getting into public life, and even less of their staying there if they happen to get in. The milieu is corrupt and corrupting. Ninety per cent of the men who

enter public life in presidentialist Brazil start poor and end rich. The inference is obvious. Under the parliamentary régime of the Brazilian monarchy the exact contrary was true, two of the most striking examples being the Baron de Cote-gipe and Councillor Alves Branco, both of whom died in absolute penury.

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The amount spent by the Government alone in the revolutionary troubles of 1924-26 appeared from various vague official statements to be over twenty million pounds; unofficial estimates were nearer fifty million.

In a more recent case, viz. the S. Paulo revolt of 1932, the S. Paulo revolutionary party issued paper-money of their own to the value of six million pounds, while they spent well over another ten million into the bargain. The Provisional Government at Rio on that occasion issued Treasury bonds to the nominal (equivalent) value of eight million pounds, while the Brazilian Ministry of Finance also negotiated the equivalent of twelve million pounds in promissory notes with the Bank of Brazil at the end of that year. There were many other "headings" of expenditure. The whole affair lasted three months and cost over fifty million pounds. There were some fat pickings!

As a complementary instance of how the taxpayer in Brazil contributes to the cost of revolts and revolutions, a statement made in February 1934 by a former Financial Secretary of the State of Minas Geraes may be quoted. The Treasury of that State, he declared, had contributed the equivalent of fifty thousand pounds to the 1930 revolution which placed the Provisional Government in power. There is no record as to how that money was spent. It was sent to Rio Grande do Sul, where the "movement" started. Furthermore, on the same occasion, munitions were ordered from Czechoslovakia to the amount of one-quarter of a million pounds, in anticipation of the "movement". Those figures, it will be noted, refer to the

expenditure of one state alone of the twenty states of Brazil! On the 17th of February, 1934, the Federal Minister of Finance, in explanation, stated he had, as Secretary of the Interior of the State of Rio Grande do Sul in 1930, received the said fifty thousand pounds, in addition to twenty-one thousand pounds from the State of Parahyba, "for revolutionary purposes". Those amounts, His Excellency further explained, had been placed in current account in the Banco do Rio Grande do Sul, in his own name. That "explanation" was given on the day after his Excellency had "explained" in glowing terms the Financial "Agreement" which he had just negotiated with Brazil's foreign creditors!

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One-third of the aggregate revenues of the states of Brazil is required for the maintenance of their so-called military police, while about half of the taxpayers' contributions to the public coffers is normally spent in equipping armed forces and in paying for political "adhesions" and "campaigns" in the press and privately. All this, quite apart from pukka revolts and full-dress revolutions.

Taxation in Brazil is lop-sided both in its incidence and in its application. In a memorandum prepared for the Constituent Assembly early in 1934, Dr. Cincinato Braga (a well-known economist and ex-president of the Bank of Brazil) drew attention to the fact that of the taxes collected in Brazil, 63 per cent were levied by the Federal Government, 28 per cent by the states, and only 9 per cent by the municipalities—the proportions in the United States being, respectively, 31·5 per cent, 14·5 per cent, and 54 per cent.

Leaving out of consideration foreign debt services, the following is (according to Dr. Braga) the application given by the Federal Government to the contributions made to its coffers by the Brazilian taxpayer—the estimate has not been contested; it was based on official returns:

	Per cent.
Labour, Industry and Commerce . . . . .	0·8
Foreign Affairs . . . . .	1·8
Agriculture . . . . .	2·3
Justice and Interior . . . . .	2·7
Finance . . . . .	4·2
Education and Public Health . . . . .	6·2
Public Works . . . . .	32·0
Armed Forces (Army, Navy, and Police) . . . . .	50·0

It is trite, and as misleading, as most half-truths are, to talk of "the great recuperative powers" of Brazil; for the endemicity of costly political disturbances and expensive revolutionary outbreaks would tax the resources of any nation, however strong and healthy.

In the absence of any continuity of economic policy or indeed of any but hand-to-mouth ideas about such matters, and with reckless public expenditure, it is probable that Brazil would, in any case, have largely forfeited the positive advantages which the War brought to her, and would have been seriously affected by the subsequent economic depression of the world. But she would have been in a very different position to-day if she had not burdened herself during the last decade with about one hundred and fifty million pounds of perfectly useless expenditure on revolutions, which achieved least when they were apparently most successful.

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If it be considered that during the whole time in which Brazil was governed under a parliamentary system, no such conditions obtained as have become endemic in republican Brazil, it is obvious that the presidentialist régime is vitally defective. Under the former system, there were disturbances; there were even violent upheavals. But such outbreaks were strictly epidemic, and there was rigid honesty in the administration of public funds. Politicians under that régime were no

supermen, but they did not aspire to be or pretend they were. They erred and fell from grace. They also fell from power. Politicians in republican Brazil may err, and they may also fall from grace. But they do not fall from power. They are not troubled with any of the qualms felt by Sir Walter Raleigh about climbing.

Under the old system of parliamentary control, however self-seeking a politician might be, he had to keep very clearly before him that his job was to serve the people. Under the twin régimes of presidentialism and despotism the people do not count. When advocates of those régimes talk, as they are prone to talk in and out of season, about the necessity for strong government and about the disintegrating effect of popular liberties, they are not thinking about the people at all. The people are zero, and their most active function that of a minus quantity. Brazilian politicians who talk in that strain are invariably those in power and their clique. They are merely afraid lest their rivals—the disgruntled politicians not in office—should have too much power, i.e. too many facilities (through any inversion of the function of the minus quantity) of reversing the *In* and *Out* labels. They are not concerned about the people. A statesman like M. André Tardieu, who has been President of the Council three times and held ministerial office ten times, may write a thoughtful and suggestive book (*l'Heure de la décision*) advocating the concentration of collective effort towards more efficient executive administration. But his suggestions for rapid action and stability of executive government also premise broader democratic bases (e.g. including women's suffrage). His object is to arouse his country, and his plan to awaken and cure democracy—not to send it to sleep or suppress it. For anybody in republican Brazil, however, to talk seriously about the rights of the people, their duties as citizens, and their political and individual liberties—so seriously that he should be hailed as the real leader of a real movement towards obtaining liberties by insisting on rights—would be considered an example of

such wild aberration or of dangerous demagoguery that the leader would soon cease to lead. He would be led to a lunatic asylum or to gaol.

Little things like a magistrate's warrant for arrest are quite obsolete in up-to-date republican Brazil. The police are not exactly beyond or above the law. They are a law unto themselves, and the imperialism of their methods is felt in the commonest episodes of everyday life. The police is accuser, judge, and "lord high executioner" as well. There is no appeal. So accustomed have Brazilians become to being "bossed" and ordered about that they accept such a state of affairs as quite normal and meekly resign themselves to it—until they periodically revolt against it by backing a revolution which, whatever its upshot, leaves them more under police control than before.

It has been dinned into the Brazilian citizen that he is there to be taxed. That is his economic function—the function of the minus quantity, from whom shall be taken even that which he hath. And, if the police know no law, the tax controller knows too much. He is a veritable sea-lawyer. He is a walking amalgam of coercive decrees and fiscal extortion. So many and complicated are the rules and regulations which the unfortunate taxpayer has to observe that the tax controller is bound to bowl him out sooner or later (or at least get him caught in the slips)—and that is the controller's chief mission in life, for he shares fines with the Government.

It is of secondary importance whether the Brazilian taxpayer pays more or less per head than the taxpayers of other nations. (As a matter of fact, no accurate comparison can be made without determining—and that has never been done—what proportion of the Brazilian population pays direct taxes.) Such comparisons are not without interest; but the onus of taxation in any country only becomes really intolerable when it is felt to be unfair. In the matter of taxation in Brazil, the important thing is that the Brazilian taxpayer feels that the taxes he pays are not only onerous but unjust, that the revenues

therefrom are misapplied (serving only to enrich the unscrupulous), and that the tax controller is a parasite. There are no tax collectors. The taxpayer pays his taxes (at the counter) on official assessments, or in multitudinous stamps (also bought at a counter). It is the tax controller's function to verify that taxes have been paid, and stamps stuck on butter, cheese, shirts, socks, shoes, drinking water, cigarettes, and so forth through the long list of ordinary human wants. The Brazilian's house is no longer his castle. It is more like the Elephant and Castle, with the tax controller riding in the howdah.

Complicated regulations in conjunction with high and absurdly ramified taxation invite fraud, and the invitation is readily accepted. But it is not on the head of defrauders that the vials of fiscal wrath are emptied. It is the honest but unwary citizen with a mote in his eye who becomes the victim of the diabolic ingenuity of the *fiscal*—as the tax controller is called—in discovering offences against the letter of the law. From the *fiscal's* point of view, the public is divided into three distinct classes: the contrabandist, active or conniving, criminal or accessory after the crime, encouraged in misdoing by excessive import duties, by high internal taxation and by involved and badly worded regulations in both cases; secondly, the astute importer, exporter, manufacturer or moneyed merchant, who usually has subtle ways and material means of sailing very close to the wind; and thirdly, the general public, the poorer merchants and modest shopkeepers, street vendors and costermongers, who have neither the ways nor the means of doing anything but grumble and submit to fiscal imposition and officialised extortion.

Against the first class the controller is about as helpless as the United States authorities were against bootlegging, and for much the same reasons—the principal of which is that high, very high, vested interests are actively engaged in defrauding public revenues. The second class of the public is the one which enables the controller to fare sumptuously nearly every



day, even if he cannot attain to the wealth of Dives; for he can get reduced classifications of taxes "wangled" and evasion of imposts winked at, at so much a "wangle" and so much a wink. The third class of the public just has to look out for squalls and smile ingratiatingly at the controller, who shows no mercy in levying heavy fines (chiefly for small sins of omission committed in all good faith), for he is entitled to half the fine, which is invariably out of all proportion to the offence, real, technical, or imaginary.

The *fiscal* class is large and well paid. To be a member of it is usually a reward for the virtue of being the kinsman of an influential politician.

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Brazil has a background of great liberal traditions of personal liberty and political freedom. Her social and political outlook has not yet been altogether obscured nor her mother wit completely obfuscated by the opaque layer of arbitrary rule engendered by the defects of her despotic régime of government. Those defects are common to all American republics on both sides of the equator. Whatever differences there may be in the various forms of their constitutional laws, they all have the common, inherent vice of stimulating and legalising arbitrary rule.

The normal task of ensuring political and personal freedom in combination with stable government has been rendered so difficult by the practical futility of all American republican charters of so-called liberty, that it has now become a problem. Each American republic will have to solve that problem in its own way, according to its traditions and special conditions. Brazil's historical antecedents would enable her to be one of the first to arrive at a solution. But only when Brazil regains her historical perspective will she envisage her future aright. Until then her political outlook will remain obscure. The immediate difficulty would seem to be that the younger generation of Brazilians may blindly believe the *ex cathedra*

pronouncement of the high priests of presidentialism. The youth of Brazil may be misled into acceptance of the dogma that the traditions of their country date no farther back than the promulgation of the Republican Constitution. But that Janus was born—out of wedlock—by the alliance of treasonable barrack-room conspiracy with unbridled passion for power flaunting a Phrygian cap.

## CHAPTER XII

### THE UNITED STATES AND LATIN AMERICA

IT was thought, with some trepidation, in Latin America before the War that, apart from other effects, the opening of the Panama Canal would result in the hegemony of the United States in the Americas, to the detriment of England and Germany, and that New York would become the great international emporium, thus displacing London as the world's financial centre and rendering nugatory Great Britain's geographical advantages as midway point between East and West. The Spanish-American War had created a feeling in Latin America that Europe was so much engrossed with Russian, Japanese, and Balkan problems that Latin America had been left to its fate—as spun by Yankee Parcae.

Some Latin American writers used to advocate forming stronger bonds than those of mere commercial treaties between their continent and the Old World. Racial and sentimental ties formed a natural bond of sympathy between Latin America and Spain and Portugal, while trade and financial relations with Europe were traditional and active. But it was felt that something more was required to counteract the eventual effects of United States domination arising out of capitalistic enterprise backed by a Jeffersonian imperialism, which was considered as the real and most constant interpretation of the Monroe Doctrine at Washington.

That was the pre-War view. Post-War views held by Latin American intellectuals are much the same, except that they attach more importance to the aspect of the corrupting influence of "dollar diplomacy". But post-War conditions, not least in Brazil, have meant that the best brains and—even

more significant—the best characters have been definitely shouldered aside out of public administration, and that their influence has been less and less felt in public life.

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It has been recorded that when, early in 1890, the United States Chargé d’Affaires presented to the Brazilian dictator, Marshal Deodoro da Fonseca, the notification of the formal recognition of the Brazilian Republic by the United States, the American diplomatist made a speech in which he said that what Brazil had done was to “adopt self-government”. That was—no doubt unintentionally—rather an ironic commentary on Brazil’s free, parliamentary institutions which the Brazilian republicans had just thrown on the dust heap. As a Brazilian exile at that time wrote: “If a North American general . . . unmindful of discipline and military duty, had overthrown the Government at Washington and had conspired with half a dozen lawyers and journalists to govern the North American people without any restriction whatsoever, would the American Chargé d’Affaires be of opinion that his fellow-citizens felt they were continuing to have self-government?”

As a matter of fact, the recognition of the new Republic of Brazil of November 15th, 1889, was the subject of a full-dress debate in the American Senate. The question had been referred to in a presidential message read at the opening of the Legislature on December 2nd, 1889. In that message President Benjamin Harrison asked Congress to give its considered views on the subject. Senator Morgan, basing his arguments on the principle which had been adopted by every United States administration since the time of President Monroe relative to the independence of the American continent, urged the necessity and convenience of forestalling the possibility of intervention, on the part of any European monarchy, in favour of the fallen régime in Brazil, by passing a solemn resolution recognising the new Republic. Senator

Sherman considered such a motion to be premature, in the absence of complete and trustworthy information from Brazil, and he thought the matter to be one of sufficient importance to be debated by both Houses; he therefore proposed that the motion should first be submitted to the Foreign Affairs Committee. Senator Ingalls, President of the Senate, supported that view. Thereupon Senator Morgan pointed out that to reject his original motion would be equivalent to censure and disapproval of President Harrison's Message; he insisted that he frankly feared the influence of the Governments of Europe on Brazil—a country with which their own commercial connections were strong; he therefore recommended the immediate recognition of the Brazilian Republic, insisting that such a step would be of extraordinary utility for American international policy. Many other leading senators took part in the debate.

The recognition of the young Brazilian Republic was therefore the outcome of an active debate on foreign policy in the American Senate, and had nothing to do with any considerations about Brazil's having "adopted self-government". Recognition depended in the first place technically on the real or potential stability of the new régime. But that technicality, it is clear from a perusal of the speeches, weighed less with the majority in the American Senate than the point of view about America's situation in international politics with special reference to the position of the United States in its relations with European Powers in the continent of America. The speeches shed considerable light on the continental policy of the United States; while it is of interest to note, from the tone of the debate in the Senate, that responsible American political leaders were, even as late as 1889, still actively concerned with the question of strengthening and upholding the prestige of the United States as a Great Power. It was preoccupations of the same order which, a century before, had led the framers of the American political charter to draft a Constitution which, by investing the Head of the United

States not only with ample but supreme powers, should counterbalance the prestige of hereditary monarchs in Europe.

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The debate on the recognition of the new régime in Brazil in 1889 was on a somewhat higher plane than the considerations of foreign policy of the United States in January 1934 in respect of Governments in Cuba, the recognition of which was apparently made contingent on questions of capital investments, sugar interests, and kilowatt-hour cost of electric power production. It is true that in the matter of Cuba, the United States administration in 1934 was dealing with a somewhat different question, at a moment, moreover, when some of their own Cuban protégés were busily engaged at Miami in concocting the usual constitutional eyewash of political reform and electoral liberties. The State Department at Washington in 1934 might claim, with some show of reason, that any previous policy of that Department in the matter of Cuba was as much past history as the annexation of Texas. It was, in the euphemistic phraseology used in diplomacy to justify unjustifiable conquest or to excuse inexcusable intervention, a *fait accompli*.

As touching intervention, the head of the Mexican Delegation at the Pan-American Conference of Montevideo in December 1933 declared in New York that Latin American nations had thought "the danger of interventions such as the United States had carried out in Nicaragua and Haiti was a real one, and resentment and mistrust had consequently existed". But, according to the Mexican diplomatist, the Pan-American Conference had changed all that, for "all the nations of America looked upon the United States not only as good neighbours, but as brothers disposed to march side by side with them". In Latin America, however, the most optimistic interpretation of the era of Pan-American peace thus foreshadowed was that the United States would leave Latin American nations to fight out their eventual differences among

themselves, and that the Monroe Doctrine would—as long as N.R.A. kept the American Government occupied—be invoked only perhaps to prevent the sale of arms to Latin American belligerents from other than North American munition factories.

The action of the United States in Cuba has not been essentially different from Japan's action in Corea and Manchuria, at which the American Government looked on with complacency, giving out, however, in Latin America that only pressure from England had prevented the United States from shining in the rôle of the guardian of oppressed nations! The definitely anti-European, and especially anti-British twist given to Pan-Americanism, as understood at Washington, was instanced in January 1934, when the American Secretary of State was on his way back from the Pan-American Conference at Montevideo. The President of the Chilean Senate, in a speech of welcome to Mr. Cordell Hull at Santiago, had said that Chile was following with the closest attention and admiration the task which President Roosevelt had set himself to perform. In the course of his reply, Mr. Cordell Hull said that "the failure of the statesmen of the Old World, when faced with fundamental principles, had caused the responsibilities of leadership to pass to the New World". He went on to explain that "the obvious incapacity of the statesmen of the Old World in their attempt to adapt fundamental principles to economic and peace problems had had the inevitable consequence of transferring the task of world leadership to the New World, and of giving the Western hemisphere an opportunity which was not to be despised". In conclusion, Mr. Hull was pleased to state that the quality of the South American delegates at Montevideo had produced an excellent impression on him.

Apart from any ethical question of good taste, the remarks of the American Secretary of State were in the nature of strictures which might have been considered as rather out of place when uttered by the official representative of a Government which had torpedoed the London Economic Conference

a few months previously. They were certainly ill-timed, for, at the very moment when they were made a mission of the League of Nations was sitting at Buenos Aires, engaged in the intricate task of endeavouring to find some way of terminating hostilities between Paraguay and Bolivia—a conflict the main origins of which are held in South America to be due to the past actuation of Wall Street interests in matters of oil concession in the no-man's-land of The Chaco.

Facilities such as those provided for Americans to get drunk at "Sloppy Joe's" naturally proved that West Indians were highly immoral and "not ripe for democracy". A young Brazilian, however, recently returned from a lengthy visit to the United States and Cuba, put the matter of Cuba somewhat bluntly a few months ago. He said that American financial methods had long since quite corrupted public administration in Cuba, but that the passing of the Volkstead Law had added flagrant vice to secret corruption. "The Americans", he said, "forthwith proceeded to turn Havana into an expensive brothel, and the whole of Cuba into a garish American Bar".

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In the foreign policy of the United States, from the Latin American point of view, there has been nothing to distinguish Democrats from Republicans, except perhaps in the tone of their public utterances. The former have smacked of imperialist Methodism, while the latter have been redolent of methodical Imperialism. It was under a Democrat President, the late Mr. Woodrow Wilson, that the United States saw themselves constrained to invade Mexico, bombard Vera Cruz, and land American marines in Hawai and Nicaragua—"to guarantee law and order", "to defend life and property", and of course to safeguard the interests of the American investor. The present Democrat administration may therefore find some difficulty in getting Latin Americans to do more than smile politely at their rather flamboyant reassurances about a new era of "good neighbourliness".



It is not so many years ago that the Brazilian Official Gazette published a translation of an utterance of President Theodore Roosevelt's, in which he proclaimed the necessity for the United States to establish a "régime of protection over all states in America". It is also within living memory that another President of the United States, Mr. Rutherford Birchard Hayes, made a speech in which he envisaged the possibility of Brazil's "expanding to the Isthmus of Panamá, where she would extend the hand of greeting to the United States"! Apparently the treaty of 1846 between the United States and New Granada guaranteeing the integrity and sovereignty of Colombia in the Isthmus was forgotten.

This mental attitude of juggling with maps and fretting at frontiers is probably not derived from conscious imperialism. Imperialism is rarely conscious—except in Germany and Japan, where it is self-conscious. The attitude is politically a defect of the presidentialist régime which in matters of government makes for harsh and irresponsible autocracy, because public administration under that system is indissolubly wedded to the machinations of political caucuses, with all the equally harsh and irresponsible despotism of corrupting influences which such wire-pulling organisations imply. Temperamentally that attitude is probably due to a desire to simplify matters by what is called taking a large view. That view is, however, in reality nothing but the superficial view of avoiding the consideration of important matters of detail by the facile process of treating them as insignificant, just because they are knotty. It was the same fallacy of the "large view" that led three monoglots at Versailles to sit facing each other in a sort of Holy of Holies, in order to have heart-to-heart talks in hybrid speech which never conveyed the same meaning to all three of them at the same time.

"Tours of good will" such as Mr. Cordell Hull made, after the Montevideo Conference, are usually misleading when they are not dangerous. Foreign Secretaries, Privy Seals, and Prime Ministers are first and foremost politicians. They may

or may not be statesmen. They are certainly not diplomats. Sometimes they are not even diplomatic. Their best place is at home. The only obvious reasons of their wandering minstrelsy is that one half of the phrases they have used in their set speeches and indiscreet interviews give rise to false hopes, and the other half to alarms that may or may not be false. They always provoke misunderstandings. At the best everything ends in that inconclusive atmosphere of opacity which optimistic *communiqués* call good will, but which is in plain language only fog.

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The century-old Monroe Doctrine soon became a strictly unilateral conception by which the United States felt themselves entitled to land troops in other American republics. It is no longer a doctrine. It is a policy. Even as a doctrine it is felt by Latin Americans to-day to be an offensive and not a defensive instrument of policy.

The 1933 Christmas box of the President of the United States to Latin America was a broadcast telegram of *peccavi*—by proxy for past administrations in their treatment of Central and South America, and a promise of amendment in the future, when “it would no longer be possible to accuse the United States of the sins of armed intervention or of imperialistic manoeuvres”. The value of that promise was less esteemed in Latin America when it was remembered that the United States had annexed Florida, Texas, the Mexican provinces, Hawaii, Porto Rico, and the Philippines; that they had intervened in the Acre territory (which to-day forms part of Brazil), in Panamá, Cuba, Santo Domingo, Nicaragua, Venezuela, and times without number in Central America, and that President Roosevelt’s gracious message of contrition obviously implied no act of penance in the way of reparation! It was not thought that Mr. Roosevelt’s promise was insincere. But it was thought that the motives that inspired it

were really those of a nation which had eaten its fill, and was, besides, full of its own troubles at the moment.

Latin Americans, who themselves live under the same régime of personal government as that of the United States, are intuitively aware that such statements do not necessarily interpret public opinion, and that, paradoxical though it might appear, declarations on matters of foreign policy (as on all others) are more likely to express public opinion when made by a responsible parliamentary minister who may be turned out of office the next day, than by a President who cannot be peaceably removed from power until his legal time is up.

Imperialism is always viewed with reprobation outside the country which adopts it, and a policy of territorial aggrandisement is held to be justified only when it is successful. It then becomes recognised as an established factor in international relations and can pusillanimously but diplomatically be referred to as a *fait accompli*, by other countries. In this respect, Pan-Americanism is just as active and direct in its aims as Pan-Germanism aspired to be and as Japanese Manchurianism has proved to be. The only difference is that the approach of Pan-Americanism has been by way of Wall Street.

A natural but at times embarrassing result of presidentialist régimes is that policies become identified with the names of the autocratic heads of the state. It is true that Latin Americans remember that Secretary of State Olney told Lord Salisbury in 1896 that the United States were practically "paramount" in the American Continent, and talked about the "manifest destiny" of the United States whose 'fiat was law in matters in which they felt themselves called upon to intervene'; it is also true that that statement detracted somewhat from the pleasant impression that might otherwise have been caused by Mr. Elihu Root, who at a conference at Rio de Janeiro ten years later declared that North America wanted no territory but her own, and that she laid claim to no right, privilege, or power that she was not prepared to concede freely to any

other American republics. But it is the phrases of the heads of the autocratic state that remain. Thus Theodore Roosevelt's name is associated in Latin America with "the policy of the big stick"; Taft's, with "dollar diplomacy"; Wilson's, with "paternalism", and Coolidge's, with "unlimited protection abroad". The rhetorical artifices of autocracy do not ring pleasantly as epigrammatic *obiter dicta*. They have an ominous sound, like the obituary notices—of other people.

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South Americans are fond of testing their reactions towards the United States (which are to them still *terra incognita*) by comparing them with impressions made on men of other Latin peoples. The opinions recently published by M. André Maurois and by M. Henri Barbusse, after each had paid a visit to the United States, have therefore had a wide circulation in Latin America. It might have been anticipated that the reactions of the talented author of *The Silences of Colonel Bramble* and of the profound social thinker who wrote *Le Feu* would be very much at variance. But they were not. They were identical. Both Frenchmen came back bubbling over with enthusiasm for what they called the "dynamism" of the United States. That exactly sums up the tribute which all South Americans pay to the "genius" of the United States. Indeed, so sincere is that feeling that they consciously try to imitate the craze for bigness. Thereby they unconsciously belittle a great people; for the people of the United States would, indeed, be poorly off, if its only claim to admiration were that it did things on a big scale.

The open-handed generosity of the American citizen, and the innate kindliness that constitute his national characteristics, have as little to do with dynamism as they have with dynamos. If the enterprising American went in for gigantic schemes of power production and construction it was merely because he had to, and the will to achieve was there. But it seems a little odd, besides being a poor compliment, to admire a nation

just because it has turned natural and geological features to good account and got over certain difficulties of city space by diversifying the city's skyline with the profile of tall buildings. The men who built Hampton Court were just as dynamic as the men who put up the Woolworth Building, though they would have been rather taken aback if Cardinal Wolsey had called them dynamists.

If by their curiously vague and unpredicated use of the word "dynamism" modern users of the term attribute to it forward movement and energising force, then it may be remarked that there is more dynamism in a chapter of Emerson than in a whole fleet of nickel-plated Lizzies, and that the lords of mass production have not yet evolved any scheme whereby one man can think of more than one thing at one moment.

No doubt the influence of large spaces reacts on the imagination, and it is a fact worth noting that a certain psychological contact has recently been made between North and South Americans in this craze for things big. They are far more likely to wave friendly greetings to each other from the tops of their skyscrapers than to shake hands across the Isthmus of Panamá, as President Hayes prophesied. Another point of contact to-day is that both in North and in South America there is the social and political stocktaking that inevitably comes when reckless material prosperity has been held to be the *summum bonum* of life and is suddenly checked or ceases. Bad times mean introspection. The North Americans are not fatalists. The Latin Americans are inclined to be. It is quite likely that the "dynamism" of the United States may before long be directed to the problem of their system of government. In fact, Professor Murray Butler has already led the way. But it is doubtful if Latin Americans and North Americans, who are both governed on the same principle, will reach the same conclusions.

In his preface to *Césarisme Démocratique en Amérique* (by the Venezuelan historian, Vallenilla Lanz), M. Marius André said that there was only one way to ensure peace in South

America, and that was 'by a dictatorship both paternal and strong, on positivist lines, and by what was called "Democratic Caesarism"'. That seems a pretty poor prospect—for South Americans! There has been plenty of dictatorship already in South America, less paternal than strong, it is true, but not lacking in positivism of an heretical kind that would scarcely have met with the unqualified approval of Auguste Comte. And yet, all it has led to is not the Rome of Imperial Caesar, but to the despotic institutions of Diocletian and Constantine, and to the rule of Byzantine *domestici* and *curo-palates*. In Latin America democracy is beginning to rub its eyes at this strange form of government by the bow-string masquerading in the raiment of constitutional republicanism and belatedly invoking fasces and fylfots to justify its arbitrary methods. Demos is looking round and asking itself what the devil it is doing in that galley. So far, the revolutionary Argonauts of Latin America have done little else but sow Dragon's Teeth, because they have been unable to make up their minds what they are in search of. When they decide, they may cause as much trouble as Jason did.

\* \* \*

In *Ante los Bárbaros*, Señor Vargas Vila (in the highly coloured journalese which he affects) distinguished between "British imperialism", which he dubbed a "violent system", and "Yankee filibustering", which he qualified as "bloody dilettantism". The former, he said, was the conscious design of a people, and therefore a political doctrine; and the latter, a sport of savages, and thus a political paroxysm!

The imperialism of Pan-Americanism, as far as it is political and not mere dollar-hunting, is probably due far less to artfulness than to artlessness. "Union is strength"; it sounds so simple. Somewhere south of the equator is a sub-continent known as Latin America. The inhabitants are all Latins: Spanish or Portuguese—it is really all the same. The obvious thing for them to do is to unite in some "strong" centralised

government, under the protecting aegis of the star-spangled Monroe Doctrine. That is more or less the subconscious feeling, for it can hardly be called a line of thought. It is dictated by the same frame of mind that, by thinking of the Balkans as a conveniently vague geographical expression, forgets that the term implies a highly inconvenient and even vaguer jumble of racial complications. It must not be forgotten that Latin Americans of to-day are Latins far less by blood (or what is called race) than by nationality and tradition. In fact, from a strictly cultural point of view, French is really much stronger than Spanish or Portuguese influence. Iberian affinity is hardly more than an historical background, vivid and constantly renewed it is true, but having no direct influence on the mutual relations of the actors on the Latin American stage.

Talk about "the North American peril" is less violent in South America to-day. It may be doubted if South Americans really believe in that "peril" any more. There was a time when they wrote many books and articles about it, just as they are beginning to do—with far more reason—about "the Japanese menace". The modern view of South Americans about North American political influence in the American continent is, more or less, that it no longer constitutes any real danger, and is not even an apparent menace in the near future, though Central America must look out for herself. For the present, it is rather convenient to have a big and sometimes noisy neighbour in the North, who is also a large customer, to counterbalance undue dependence on Europe in matters of finance and trade. The political aspect does not loom large; it is, in any case, rather academic. In fact, South America has been caught by the modern craze of professing to think that politics are economics. Political pressure from Europe is no longer feared. Books and articles about "the German peril" are hopelessly out of date. Nothing is feared from that quarter now, though the Gobineau urge of *Deutschtum*, of the Treitzchke school, and the ideas of econo-

mists like Gustaf Schmoller (who recommended the foundation of an Austral Teutonia by settling thirty million Germans in South America) caused some alarm twenty years ago. Political interference from England or France has never been even contemplated as a possible menace. Italy used to supply over 35 per cent of the immigrants that arrived in Brazil. In 1932 Japan supplied that percentage, while Italy sent only 6 per cent.

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The idea of the unification of Ibero-American countries into a single political entity is not, however, merely a piece of speculation by North American visionaries. It has frequently been discussed in Latin America in the past, when "menaces", "perils", and "dangers" were thought to be, or put forward as being, serious possibilities. But ideas of continental confederation never really got beyond the stage of academic speculation. The only unity possible in Ibero-America is in diversity, for nationalism is as vivid among the peoples of Latin America as it is everywhere else.

The question of unity was raised at the Pan-American Conference at Montevideo in 1933, but only in the sense of the eventual possibility of some sort of Customs Union. Even that question—as is the fate of all issues treated exclusively on the flawed bases known as economic principles—did not get much beyond vague talk about Customs reciprocity. The matter was brought forward, as a kind of afterthought, by Mr. Cordell Hull, apparently in order that the Conference (which, having no known purpose and therefore no programme, had been reduced to chanting a Pan-American parody of "Great is Diana of the Ephesians") might break up with the comforting illusion that it had at least dealt with something more tangible than the greatness of the Americas and the Ephesian-Elizabethan jollity of all Americans. The proposal met with a mixed reception, more especially as coming from the representative of a high-tariff country. The difficulty was got over by Mr. Hull's succeeding in convincing the



Latin American delegations that "agreement in principle" to the thesis of tariff-reductions did not commit anybody to anything. "Agreement in principle" is, of course, the usual diplomatic formula for failure to agree to anything at all. Honour was, however, satisfied by that mystification, and a number of eloquent speeches were made and enthusiastic interviews given to the Press, in all of which the world was asked to behold how good and joyful a thing it was to dwell together in unity, even if that unity could be expressed in nothing more inspiring than prosaic Customs unions—*en principe!*

The Spanish-American Congress at Madrid in 1900, it may be noted, seemed quite natural to the Latin American mind; but subsequent Pan-American congresses have made no intimate appeal, because they have been felt to be overwhelmed by the Pan-American ponderosities of Washington.

There is as little probability of forming a South American political confederation as there is of forming the United States of Europe. The vision is not impossible, but it is just about as remote. In the meantime, the best guarantee of international peace in the South American continent is what is called the A.B.C., i.e. the understanding between Argentina, Brazil, and Chile, which dates from the early years of this century. But even in that matter, it is of importance to note that the efficacy of that agreement has been diminished in exact ratio to the subsequent growth in all three countries of despotic rule under the cloak of democratic forms of government. Understandings like the A.B.C. agreement serve, however, to localise conflicts such as those in the Chaco and Leticia. But had the possibilities of that agreement been explored by really democratic Governments, it is quite probable that those conflicts might have been avoided altogether.

It is not, however, any boundary questions that are likely to cause serious trouble in the near future. International conflicts between Latin American countries are far more likely to arise eventually from the defects of their internal

régimes of government, which breed the germs of revolutionary disturbances. The danger is that such troubles are constantly ebbing and flowing across the frontiers, and that revolutionary leaders are always playing Tip-and-Run over the border. The real significance of the recent visit of the Argentine President to Brazil is to be found in that question, and in none other. The heads of the Brazilian and the Argentine nations found it convenient to have a few heart-to-heart talks, as one dictator to another, in order the better to deal with the turbulent elements in their respective countries, by arranging for the internment of Argentines in Brazil, and vice versa, despite any out-of-date international considerations as to the right of asylum.

The system of government in the United States being in its essence identical with that of Latin American countries, the North and South American political outlook cannot but coincide, especially in the matter of the necessity for "strong", personal governments, so that it is impossible for the United States to exercise the slightest moral force in any political affairs in Latin America, even on the rare occasions when the directors of foreign policy in Washington may feel a moral urge to try moral suasion. It is doubtful if Latin America has ever taken the United States seriously in the rôle of political tutor to which the latter aspired. It is quite certain that the United States to-day are not regarded by Latin Americans as any paradigm of political ethics. The experimental temerity of N.R.A. makes an appeal to the shallow empiricism that characterises the actuation of Latin American Governments in economic affairs. It even seems to shed the reflected glory of "dynamism" on South America. Financially, the position is that the United States have become large creditors who must be treated with respect and the "lively sense of future favours". For the rest, the United States are important customers. They are Brazil's largest market.

CHAPTER XIII  
BRAZILIAN PUBLIC FINANCES  
A CHRONOLOGICAL SYNOPSIS

I.—FOREIGN LOANS OF THE BRAZILIAN GOVERNMENT

*A. THE EMPIRE*

EMPEROR DOM PEDRO I (1822–1831)

ON the declaration of Independence in 1822, Brazil had to assume various financial obligations inherited from Lisbon. In a manifesto, the first Emperor did not hesitate to stigmatize such debts as due to defalcations on the part of the Portuguese Government in connection with funds in the Bank of Brazil. There were, moreover, disturbances and other difficulties of a political nature affecting the financial position of the new Empire of Brazil. It was under these conditions that Brazil raised her first three foreign loans, each for the purpose of covering budgetary deficits:

£1,333,300 .. .. 1824

Security: Revenues of all Brazilian Customs, especially Rio de Janeiro. Issued by Thomas Wilson & Co., and Bassett, Farquhar, Crawford & Co., of London, at 75, interest 5 per cent.

£2,352,900 .. .. 1825

Security as for first loan. Issued by Nathan Mayer Rothschild, of London, at 85, interest 5 per cent.

£769,200 .. .. 1829

Security: Revenue of Rio Customs. Issued by Thomas Wilson & Co., and Nathan Mayer Rothschild, of London, at 52, interest 5 per cent.

## THE REGENCY (1831-1840)

In 1831, Dom Pedro I abdicated, and his son was declared Emperor under a Regency, which raised one loan to cover budgetary deficits and exchange depreciation:

£411,200 .. .. 1839

Issued by Samuel & Philipps, of London, at 76, interest 5 per cent.

## EMPEROR DOM PEDRO II (1840-1889)

In 1840 Dom Pedro II was declared of age. Henceforth, for all loans raised in London, Messrs. N. M. Rothschild & Sons were the issuing house. By an agreement dated June 20th, 1855, this firm became Financial Agents of the Brazilian Government in London. Loans during this period were:

£732,600 .. . 1843

Object: to liquidate Treasury obligations. Issued at 85, interest 5 per cent.

£1,040,000 .. .. 1852

Object: to liquidate onus derived from a loan raised in London by the Portuguese Government in 1823. Issued at 95, interest  $4\frac{1}{2}$  per cent.

£1,526,500 .. .. 1858

Object: extension of what is to-day the Central Railway of Brazil. Issued at  $95\frac{1}{2}$ , interest  $4\frac{1}{2}$  per cent.

£508,000 .. .. 1859

Object: to redeem balance of 1829 loan. Issued at par, interest 5 per cent.

£1,373,000 .. .. 1860

For Recife (Pernambuco) to S. Francisco Railway. Issued at 90, interest  $4\frac{1}{2}$  per cent.

£3,855,300 .. .. 1863

Object: to redeem—somewhat previously—balance of 1824 and 1843 loans. The Brazilian Ambassador in London, Baron de Penêdo, “the ostentation of whose receptions was the sensational note in London society”, negotiated this and other loans at the time. He was much criticised for his actuation in respect of this particular loan, especially as its issue price (88, at  $4\frac{1}{2}$  per cent) was far below the then prevailing quotation—about 94—for Brazilian stock. But in a spirited defence the Ambassador pointed out that at the moment the London Market was feeling the adverse effects of the American “Confederate Loan”, and that the issue price for the 1863 Brazilian loan did not compare unfavourably with that obtained by several other countries, e.g. Denmark, 93; Bolivia, 88; Russia, 85; Mexico, 63; Venezuela, 60; and Portugal, 48.

£6,963,600 .. .. 1865

The Paraguayan War was entailing considerable expenditure (though it was much cheaper than subsequent revolutions in Brazil under the republican régime). Issued at 74, interest 5 per cent.

£3,459,600 .. .. 1871

For “various extraordinary services”. Issued at 89, interest 5 per cent.

£5,301,200 .. .. 1875

For “various extraordinary services”. Issued at  $96\frac{1}{2}$ , interest at 5 per cent.

All the foregoing loans have been redeemed. Subsequent loans, with the exception of the 1886 and 1908 loans, are still outstanding.

£4,559,600 .. .. 1883

For Government railways, Rio water supply, and other purposes. Issued at 89, interest  $4\frac{1}{2}$  per cent.

£6,431,000 .. .. 1886

An anticipation of the 1889 loan, in which it was redeemed. Issued at 95, interest 5 per cent.

£6,297,300 .. .. 1888

For Government railways. Issued at 97, interest  $4\frac{1}{2}$  per cent.

£19,837,000 .. .. 1889

Object: conversion of the 1865, 1871, 1875, and 1886 loans. Issued at 90, interest 4 per cent.

This loan was ratified by a contract signed by the Republican Government on April 29th, 1890, at London.

It is to be observed that in the case of the loans raised under the Second Reign (1840–1889) no specific securities were given. In the matter of loans for public works, the latter naturally constituted an inherent guarantee. Government loans were raised on the general credit of the nation and of public administration.

### B.—THE REPUBLIC

#### PRE-WAR LOANS (1889–1914)

The 1889 Conversion Loan had placed Brazilian finances on a firm basis. The first loan under the republican régime was raised in 1893. It was a Treasury loan made on behalf of the West of Minas Railway, for £3,710,000, issued at 80, interest 5 per cent. This loan was taken up by the London agents. But as the Federal Government wanted at that time to purchase arms and munitions abroad, on account of internal troubles in Brazil, it was arranged that the Government should have the product of this loan placed at its disposal in London, and hand the equivalent in currency, at the exchange rate of the day (about 12 pence) to the railway company. The Government, however, eventually proposed to make the conversion at 18 pence, which would have entailed a loss to the railway of nearly twenty thousand contos. The upshot of the matter was that the railway never got the money at all! This was a bad augury for republican financial administration. Later on this loan was absorbed in a public loan issued in London.

Brazilian republican loans were:

£7,442,000 .. .. 1895

For West of Minas Railway. Issued by London agents, at 85, interest 5 per cent.

£8,613,717 .. .. 1898

This operation was known as the First Funding Loan, and was negotiated by the London agents, interest 5 per cent. By the terms of the arrangement, interest on all foreign loans, and payments due under the system of public-works contracts by "guarantee of interest", were payable by the Government over a period of four years in bonds of this loan. Amortisation of this and of all other loans was suspended, to start again on July 1st, 1911. (Sinking fund payments were, however, renewed before that date.) A condition of the loan was the withdrawal from circulation of an equivalent of paper currency at the exchange of 18 pence per milréis. Security given was: first mortgage on the revenue of the Rio Customs and, as a subsidiary security, on the revenues of all Brazilian Customs. It was to "valorise" this security that the "gold" quota in the Brazilian Customs was instituted. The bonds of the issue were called "United States of Brazil 5 per cent Funding Bonds". A similar scheme had already been adopted in the Argentine, in 1890, when a period of feverish "trade activity had culminated in a financial crisis" and the suspension of a banking house in London.

£16,619,320 .. .. 1901

Interest payments in suspense under the funding arrangement being due to start again on July 1st, 1901, the road was clear for another public loan, the contract of which was signed a fortnight later! Object: to buy all railways constructed on the system of "guarantee of interest". Series of this loan were also issued in 1902 and 1905. Security: revenues of expropriated railways. Issued by London agents at par, in-

terest 4 per cent. The loan was known as Railways Rescission Loan.

£8,500,000 .. .. 1903

Object: construction of port at Rio de Janeiro. Issued by London agents at 90, interest 5 per cent.

£1,100,000 .. .. 1906

For the Brazilian Lloyd. Issued by London agents at par, interest 5 per cent. Converted by 1910 loan.

25,000,000 francs .. .. 1906

Goyaz Railway debenture issue, for which the Federal Government assumed responsibility in 1916. Issued by Crédit Mobilier Français of Paris at par, interest 5 per cent.

£3,000,000 .. .. 1907

For valorisation of coffee, as the result of the Taubaté Convention of 1906. Issued by London agents at 95, interest 5 per cent. Converted by 1910 loan.

£4,000,000 .. .. 1908

Object: various public works (Rio water scheme, etc.). Issued by London agents at 96, interest 5 per cent. Redeemed.

100,000,000 francs .. .. 1908-9

Object: construction of Itapura to Corumba line of the North-West of Brazil Railway. Issued by Société Générale of Paris at par, interest 5 per cent.

40,000,000 francs .. .. 1909

Object: construction of port of Pernambuco. Security: net revenues of docks after completion, with the exception of the 2 per cent "gold" port tax on imports into Brazil. (This "gold" port tax has nothing to do with the "gold" quota Customs levy.) Issued by Banque Française pour le Commerce et l'Industrie of Paris at 95, interest 5 per cent.



£10,000,000 . . . . 1910

Object: redemption of £3,000,000 Coffee Valorisation Loan of 1907, and £3,710,000 West of Minas Railway Loan, already referred to above. The total value of both sets of bonds thus redeemed was £6,249,500. The surplus of this loan was to be applied to the construction of railways in Ceará and Piauí. Known as the Conversion Loan. Issued by London agents at 87½, interest 4 per cent.

100,000,000 francs . . . . 1910

For construction of federal railways in Goyaz. Issued by Crédit Mobilier Français of Paris at 90, interest 4 per cent.

£1,000,000 . . . . 1910

For the Brazilian Lloyd (see 1906 loan above). Issued by London agents at par, interest 4 per cent.

£4,500,000 . . . . 1911

For completion of Rio port works. Issued by London agents at 92, interest 4 per cent.

£2,400,000 . . . . 1911

For railway construction in Ceará. Half the product of this loan was to be deposited in the Bank of Brazil, and half in some bank to be mutually agreed upon by the Brazilian Ministry of Finance and the contracting company. The bank thus chosen was The Russian Commercial and Industrial Bank of London. In 1915 the bankruptcy of the contractors was declared, and its assets in the Russian Bank were embargoed by the creditors. The Russian Bank also went into liquidation. The net loss to the Brazilian Treasury was over £1,000,000. Issued privately at 83, interest 4 per cent.

60,000,000 francs . . . . 1911

Object: construction of federal railways in Bahia. Issued by Caisse Commerciale et Industrielle de Paris at 83, interest 4 per cent.

£11,000,000 . . . . 1913

Object: for ports and railways. It was, however, subsequently officially stated that it was to make good budgetary deficits. Issued

by London agents at 97, interest 5 per cent. These constant and growing deficits had been entailed by excessive public expenditure ever since 1902, including a large naval programme, the 1908 Exhibition, enormous public works commitments, and other disbursements of all kinds entirely beyond the normal capacity of public revenues. Such annual deficits could not be met without snowball borrowing, the necessity for which increased in proportion to the velocity of so-called economic development. So true is this picture that hardly had the product of this loan reached Brazil than the Government began casting about for another loan of such gigantic proportions that (according to an official Brazilian report) "Messrs. N. M. Rothschild & Sons had to associate themselves with bankers of other money markets, including German banks". This consortium achieved nothing.

£14,502,397 .. .. 1914

Known as the Second Funding Loan. It may be noted that, according to a statement made by the Minister of Finance who negotiated this loan, the normal full service of Brazil's foreign debt at that time required no less than £31,100,000 annually! With the exception of the First Funding Loan (of 1898) amortisation of all loans was suspended, while bonds of the 1901 Rescission Loan were to be redeemed by the issue and sale of the new "funding" bonds. Interest on all previous loans (except the First Funding Loan and the Rio Port Loan of 1903, payable in gold) was to be paid in bonds of this Second Funding Loan, till July 31st, 1917. Amortisation of all loans was to be started again in 1927. Security: Customs liens, as for First Funding Loan. The operation was negotiated by the London agents. Interest at 5 per cent.

#### POST-WAR LOANS (1921-34)

It may be noted that, in order to meet its obligations abroad, the Brazilian Government had, in 1915, issued fifty thousand (gold) contos Treasury bills of £10, £100, £500, and £1,000 in London.

It was in this post-War period that New York issuing

houses began to raise money for loans for public authorities in Brazil and for other investments in Brazil.

The Federal Government borrowed:

\$50,000,000 .. .. 1921

Object: to meet expenses in connection with irrigation schemes in the drought-stricken areas in the North-East of Brazil; to purchase equipment and munitions for the Army and Navy and build barracks; and to develop railways. Issued by Dillon Read & Co. of New York, at 90, interest 8 per cent.

15,000,000 francs .. .. 1922

Being loan originally raised in 1910 by the Victoria to Minas Railway for construction of Curralinho to Diamantina branch. Taken over by Federal Government. Issued in Paris at 99, interest 5 per cent.

£9,000,000 .. .. 1922

Object: valorisation of coffee. The loan was raised to consolidate various short-term loans made for the same purpose. It was subsequently transferred to the S. Paulo Coffee Institute. Security: 4,535,000 bags of coffee, which had been purchased with the proceeds of the short-term loans. Issued by London agents in conjunction with J. Henry Schroeder & Co., and Baring Brothers & Co., at 92½, interest 7½ per cent.

\$25,000,000 .. .. 1922

Object: electrification of a suburban portion of the Central Railway of Brazil. Security: gross revenue of the railway. Issued by Dillon Read & Co., of New York, at 91, interest 7 per cent. The railway was not electrified.

\$60,000,000 .. .. 1926

Object: to consolidate the Floating Debt. Security: first charge on revenues from income tax and from taxes on invoices; and subsidiary lien on Consumption Tax and Customs duties, on both of which prior charges existed. Issued by Dillon Read & Co. at 90, interest 6½ per cent.

£10,000,000 and \$41,500,000 .. .. 1927

Object: to stabilize the currency by utilising gold from product of these loans as cover for the issue of a new Brazilian coinage. Issued by London agents and Dillon Read & Co., of New York. Interest  $6\frac{1}{2}$  per cent. The gold was re-exported and the objective was not achieved. The debt remained.

£10,530,758	..	..	..	..	} 1932
201,000,000 francs	..	..	..	..	
\$29,884,545	..	..	..	..	

Known as the Third Funding Loan, and operative for three years, as from October 1931. Amortisation of all foreign loans was suspended, with the exception of the First and Second Funding Loans and of the 1922 Coffee loan; but currency equivalents were to be deposited with the Bank of Brazil. Interest payments in respect of foreign loans were to be made by bonds of this (third) funding operation, except as regards about £1,800,000 payable in respect of certain gold loans. (The total capital in circulation of Brazilian federal loans (excluding this Funding Loan) was officially estimated as equivalent to approximately £150,000,000, as at January 1st, 1934, with normal services at £11,500,000 per annum.) This third funding operation was negotiated—as officially stated in Brazil—with “the Financial Agents of Brazil abroad”. Interest 5 per cent. It was followed, in February 1934, viz. eight months before the term fixed for its expiry, by the so-called Financial “Arrangement”, which affects all the foregoing, outstanding loans, as well as other public loans—state and municipal—in Brazil.

## 2. FOREIGN DEBTS OF BRAZILIAN PUBLIC AUTHORITIES

*(Statistical position, in round figures and approximate sterling equivalents, as at January 1, 1934—based on official returns.)*

### STATES OF BRAZIL

The aggregate foreign debt position of autonomous states is:

Loans raised in London, Paris, New York, and Amsterdam:

Capital in circulation .. ..	£71,500,000
Normal annual service . . .	£ 7,600,000

The normal service of these loans would require 460,000 contos, but the amount actually set aside for this service in 1933 was 160,000 contos. The loans of the S. Paulo Coffee Institute are not included in the foregoing figures.

#### FEDERAL DISTRICT OF RIO DE JANEIRO

The foreign debt of the municipality of Rio de Janeiro is:

Outstanding from loans issued by—

Seligman Brothers Ltd., London .. ..	£1,800,000
Dillon Read & Co., New York .. ..	\$39,300,000

#### MUNICIPALITIES (not including federal district)

Loans raised in London, Paris, and New York:

Capital in circulation .. ..	£26,500,000
Normal annual service .. ..	£ 2,275,000

If certain French loans be calculated on the basis of the gold franc, these amounts will be higher.

### 3.—INTERNAL DEBTS OF BRAZILIAN PUBLIC AUTHORITIES

*(Statistical position as at January 1, 1934, based on official returns. Currency converted at official average sight rate for 1933.)*

#### FEDERAL

Internal Funded Debt (bonds) .. ..	£57,000,000
Floating Debt .. ..	£29,000,000
Paper currency in circulation .. ..	£56,700,000

There are also federal bonds issued to the equivalent of £8,000,000 in connection with the S. Paulo revolution in 1932,

and another series equivalent to £1,750,000 for "drought works."

The Federal Government discounted three-year promissory notes with the Bank of Brazil in December 1932 to the equivalent amount of £12,000,000. This amount has not been included in the foregoing figures.

The normal annual service of interest and amortisation of the Funded and Floating debts requires about 20 per cent of the average annual Federal revenues.

Full normal service of both foreign and internal debts together requires about 53 per cent of the annual Federal revenues.

#### STATES OF BRAZIL

The aggregate internal debt position of the autonomous states is:

Internal Funded Debt	..	..	..	£16,000,000
Floating Debt	..	..	..	£22,000,000

The normal annual service requires about 15 per cent of the aggregate revenues of the states.

Full normal service of amortisation and interest of both foreign and internal debts together requires about 50 per cent of the aggregate revenues of the states.

#### FEDERAL DISTRICT OF RIO DE JANEIRO

Internal Funded Debt	..	..	..	£8,500,000
Floating Debt	..	..	..	£3,000,000

#### MUNICIPALITIES (not including federal district)

The internal debt situation is obscure, and data are lacking on which to base a synopsis. It has, however, been estimated (January 1934) by an ex-President of the Bank of Brazil that the internal debts of the municipalities aggregate over £25,000,000, and that normal service of foreign and interna

debts combined requires, in some cases, over 60 per cent of municipal revenues.

#### 4. FEDERAL REVENUES AND DEFICITS

Deficits have been a constant feature of Federal Budgets since 1908, and have in some years reached serious proportions.

During the forty-four years of the republican régime—to 1933—the aggregate of such deficits is seven million contos, or (at 12 pence, average exchange rate) an equivalent of £350,000,000.

The ascertainable aggregate of the four “revolutionary” deficits (1930–33) is over two million five hundred thousand contos, equivalent to over £50,000,000.

The position in recent years (based on figures presented in the Constituent Assembly) has been:

				<i>Revenue</i> <i>Contos</i>	<i>Deficit</i> <i>Contos</i>
1928	..	..	..	2,220,000	145,800 (£3,700,000)
1929	..	..	..	2,160,000	189,900 (£4,800,000)
1930	..	..	..	1,680,000	832,600 (£19,400,000)
1931	..	..	..	1,750,000	294,000 (£4,700,000)
1932	..	..	..	1,700,000	1,109,000 (£22,600,000)
1933	(Official estimate)			2,140,000	268,000 (£5,000,000)
1934	(Official estimate)			2,010,000*	354,000 (£6,700,000)†
1935	(Official estimate)			2,170,000*	522,000 (£10,000,000)

\* Of which 32 per cent destined for Army and Navy in 1934, and 25 per cent in 1935.

† Officially declared to be actually over 800,000 contos (£15,000,000) as on November 15th, 1934.

It is feared that supplementary credits and unforeseen expenditure may eventually augment the estimated deficit for 1935, more especially as items of expenditure (estimated) have not been discriminated.

## CHAPTER XIV

# THE CHAOTIC RESULTS OF DESPOTIC RULE

## FINANCIAL AND ECONOMIC REVIEW

### I. FROM THE OPENING OF BRAZILIAN PORTS IN 1808 TO THE FIRST FUNDING LOAN IN 1898

IN 1807 the Portuguese regent, Dom João VI, hurriedly abandoned Lisbon on the announcement of the proximity of Junot's forces. He took refuge on a British man-of-war and arrived in Brazil in January 1808. The value of the Brazilian milréis was then  $67\frac{1}{2}$  pence. That rate had been fixed by a Royal Rescript in 1803. But Brazil was affected by the Napoleonic wars, especially as a colony of invaded Portugal. Furthermore, the political disturbances connected with the declaration of Brazilian independence in 1822 were followed by troubles with the River Plate provinces and by the restless days of the Regency, during the minority of the second Brazilian emperor.

The first public act of Dom João VI in Brazil had been to declare Brazilian ports open to international trade. From 1808 to 1831 exchange fluctuated between  $67\frac{1}{2}$  pence and 22 pence. In the latter year the par rate was fixed at  $43\frac{1}{2}$  pence, but exchange fell as low as  $20\frac{1}{2}$  pence, owing to the political difficulties accompanying the proclamation, in 1840, of the coming of age of Dom Pedro II. Thereafter it improved to about 30 pence.

On the 11th September, 1846, the official par of the gold milréis on London was fixed at 27 pence, and for nearly a century that was the official value of the gold milréis. From



1889 onwards, however, after the declaration of the Republic, that par value had merely theoretical significance, for gold milréis ceased to exist.

The political régime was consolidated in the years following the majority of Dom Pedro II, and exchange tended to rise above the par rate. The Government therefore ceased to make Treasury note issues, and took steps to place the currency on a convertible basis by authorising the Bank of England to issue convertible notes against the gold reserves it held. *Pari passu*, the import tariff rates were raised, for revenue purposes only. The issues of the Bank of Brazil were, at first, limited to double its gold reserves, but that limit was gradually extended to four times the value of the reserves of gold.

In 1857 and 1858 tariff rates were sensibly reduced and revenues from that source *increased*. But, in the latter year, other banks, besides the Bank of Brazil, were authorised to issue notes, so that the good effects of tariff reductions were annulled—in fact there was a general panic as the result of inflation. The policy of liberal bank issues had been inspired by the desire to compensate budding industrialism for tariff reductions. Issues were thereupon again limited to the Bank of Brazil, but its issue powers were unduly extended, and in 1864 the Government was obliged to promulgate a decree giving fiduciary character to the Bank's issues and making them "forced currency". Inflation was closely connected not only with the desire of interested parties to establish national industries, but also with the Slavery question. Slavery in Brazil, as elsewhere, had been expressly encouraged by Rome in more than one papal bull, and "enslavement for the benefit (*sic*) of the slave's being baptised and learning Christian doctrine" had been pontifically permitted! Free labour on the farms drifted to the towns at the first available opportunity, because, owing to the strong feudal position of the great landed proprietors, there was never any likelihood of free labourers becoming small proprietors, and also because the existence of slavery had the important psychological effect

that free labour saw itself identified for all practical purposes with slave labour. There was, consequently, a constantly growing supply of cheap labour drifting to the towns and crying out for work.

The direct and profound influence of the Slavery question on Brazilian public finances and protectionism, and the enormous effect that question was destined to have on shaping the social conditions of Brazilian economic life are analysed with admirable insight in *A Política Geral do Brasil*, by Senhor José Maria dos Santos. The author depicts Brazilian conditions in their proper historical perspective, whereas practically every other historian of Brazil views events as reflected in some distorting mirror of his own preconceived notions. Some Brazilian historians have gone to the length of alleging that the military *coup d'état* of 1889, resulting in the Republic, was directly attributable to the emancipation of slaves in the previous year, because it had caused the slave-holding class (whose pockets were thereby affected) to join hands with the military. But though there is a substratum of truth in that view, it is only a superficial view. The law of Free Birth of 1871 had already paved the way for the Abolition Law of 1888. The essential point, which most historians of Brazil fail to realise, is that slavery—apart from the humanitarian aspect which Roman Catholicism despised—had not only been a drag on the economic development of the country, but had warped economic growth at the roots. It had created false economic conditions, and it continued to vitiate their sane development. It trammelled the flow of immigration and prevented the full utilisation of free labour in agriculture at what would have been the most propitious epoch for economic expansion in Brazil. The statue of Cecil Rhodes at Cape Town points with outstretched arm to the north, and admonishes the new arrival in stone-hewn words: "Your future is there!" But, however much Brazilian statesmen might beckon to the interior and proclaim to the new-comer, "Your future is there!", what the free labourer

muttered, after trying the interior, was, "My future is anywhere but there!"

In some essays, written seventy years ago, a Brazilian publicist, Tavares Bastos, pointed out that what Brazil needed was to throw open her ports unreservedly to international commerce and navigation (the 1808 decree had been only of limited scope), thereby facilitating the settlement of the Amazon valley and developing the country's natural resources. Production, he urged, would be intensified, if based on low import taxes on foreign manufactures, while a policy of cheapening the cost of the necessities of life (clothing, implements, and machinery) would, he claimed, stimulate the agricultural, pastoral, and mineral expansion of one of the richest countries in the world. But the potential success of that enlightened plan would obviously have had to be conditioned to the question of slave labour, even had other—already very powerful—influences not been at work to counter such a far-sighted project.

By 1889, however, owing to prudent administration, which had allowed and was consciously allowing the time-factor to exercise its influence in the effects of emancipation, Brazilian currency had become practically stabilised by being placed on a really convertible basis, at the official par value of 27 pence.

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The national significance of the military intervention in 1889 was not that it overthrew the Brazilian monarchy. That incident was merely a matter of violently (and treasonably) anticipating a development which would have ensued normally—no doubt on the death of Dom Pedro II, already an old man. That aspect was nothing but a side issue, decked out with all the republican paraphernalia of flag-changing and flag-waving, decrees about liberty, and ukases about states of siege. The significant fact was that the *coup d'état* stopped the Brazilian ship of state in mid-career and put the engines

hard astern. The engines are still in that position, and if Brazil has weathered many storms since 1889 she has done so not because of the skill of her pilots, but because when some more pressing danger threatened she has been towed into temporarily calm waters by a Foreign Salvage and Loans Association, that sent to her aid the tugboats of debts, which she has never been able to dispense with since. The fantastic fumbblings of Brazil's rulers have therefore not sufficed to drive the Brazilian ship of State on the rocks—yet.

The programme of the Liberal Party, adopted in May 1889 and presented, with some modifications, to Parliament by the last Imperial Brazilian Cabinet (of which the Viscount of Ouro Preto was Prime Minister), had demonstrated that Brazilian politics were being steadily directed towards even ampler reforms. The phrase "even ampler" is justified, because, by progressive acts (after the Majority declaration in 1840), i.e. by the electoral laws of 1855, 1860, and 1881, and making due allowance for Brazil's vast size, relatively small population, and scanty and slow means of communication, the country had reached a political state which was, to all intents and purposes, as liberal in the matter of franchise as that of England after the 1867 Reform Act.

The new régime not only stopped, but reversed all that. It replaced liberal, parliamentary institutions by an autocracy of political parvenus. Under that system the Executive could despise even the subservient majority that registered its acts in Congress, and the whole machinery of government was subjected to the personal will of the Chief of the State. The financial and economic reversal was equally complete and immediate. In 1889 the quotation of Brazilian currency had actually been  $5\frac{1}{2}$  per cent above the par of exchange. That was the premium of paper money. The Ouro Preto Cabinet had consolidated four of Brazil's outstanding loans by a new loan on better terms, while with the large economy thus effected the Government was reducing the paper currency in order to consolidate the convertible position. But in the

military republic of November 1889 there was no room for men of the moral stature of Ouro Preto or for his policy, or indeed for any other policy that might have had different objectives, but which would have obeyed some principle of sane finance.

The monarchical inheritance was sound in every respect. The successful termination of the Paraguayan War had strengthened Brazil's international prestige, which had been still further enhanced by the personal esteem in which Dom Pedro II was held both at home and abroad. By his tact and wisdom the Emperor had adapted the position of the Crown to the growth of liberal tendencies. He was venerated by all classes, and was held, as he indeed considered himself, to be the guide of the sovereign will of his people rather than their ruler. Of all Brazil's public men, before or since, Dom Pedro II was probably the sincerest republican. Socially and politically Brazil had been slowly progressing towards greater freedom on the basis of an enlarged franchise. Economically and financially the situation was good. Coffee prices had improved from 3\$247 (average: 1876-85) to 5\$432 (average: 1886-89). The balance of international payments was consistently in Brazil's favour, and exchange was above par.

Even the most rabid and ingenious of political quack-salvers could hardly have found any combustible available in such conditions to feed the flames of a revolution! They might, indeed, be supposed to have been at a loss to discover even the spark to fire such an outbreak. As a matter of fact, neither spark nor fuel were at hand. There were no despots to be cast down. No social abuses clamouring wildly for redress. No states of siege. No depreciated currency. No financial scandals. No thorny international problems. No violation of political rights. No restrictions of personal liberties. There was, indeed, none of that sinister atmosphere of obliquity and oppression that characterises the presidentialist régime. But there was a military question, and there was also

positivist republicanism. To everybody's astonishment these elements caught fire, and the flames spread to the monarchy and burnt it to ashes. The class which, by its oath of fidelity, should have quelled the outbreak, fomented it. There was no revolution. There was not even a programme. There was indeed no room for one, for the liberal programme of the deposed Cabinet had already provided for the next stages of liberal reform.

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The vacuum thus created was not filled by any provisional Government even. It was filled by a military dictatorship. Public opinion in Brazil in those days had not been accustomed to accepting even the idea of autocratic government, much less of military dictatorship. That was an exotic weed that might and did grow apace in other Latin American countries; but it was one which Brazil had taken particular care to keep out of her own trim garden. Military dictatorship in Brazil had therefore to be merely the *entr'acte* to a republic which, was the logical sequence of the deposition of the monarchy and which, as a sequence, would have done no harm to the country. It might conceivably have done a great deal of good. But the new architects of the republican edifice had no plans, and an ill-assimilated Positivism did not help much.

Even the fact that the new republic was to be constructed on a plan borrowed from the United States and embellished with a few touches inspired by faulty reading of Auguste Comte would not have mattered, if the architects had had any notion what they wanted to do in their republican building once they had erected it, or if they had had any ideals but those of claiming to be the begetters of a full-blown, historical revolution. It was the vanity of this ideal that proved so fatal to the new republic. There had been no revolution at all; but so bent were the new republican architects on showing that they were good revolutionaries—a presage of the 1930-34 period—that they proceeded to justify their existence

by reversing the financial and economic engines of the country. The monarchy was an anachronism; therefore everything the monarchy had done or been in process of doing was antiquated and pernicious. It was not "imbued with the revolutionary idea". Full speed astern!

It must be confessed that as financial and economic revolutionisers the republicans were thorough and successful. They effected a radical change.

Neglecting the last (rather disturbed) weeks of 1889, and taking the 1890-92 period, it can be verified that exchange fell from above the par rate to nearly 37 per cent below it—from 27 pence to 17 pence! That fall cannot be attributed to the first effects of a change of régime in causing apprehension abroad. Any effect of that nature was only temporary. It was due to sheer inability on the part of the new rulers to grasp the principles, not of any abstruse theories of political economy, but of honest and simple arithmetic. It was due to reckless craving for change, no matter what change. Something had to be done to justify a revolution. A fillip must be given to expansion—trade expansion, financial expansion, expansion at all costs—expansion that had been hemmed by an unimaginative, decrepit monarchy, and stifled by the rigid adherence of dear old Cabinet Ministers to pettifogging doctrines of unpoetical political economists.

The Minister of Finance, Dr. Ruy Barbosa, was a brilliant lawyer. He was not a great financier; but he erred in good company. Both he and the management of a local British bank were fully convinced (or professed to be) that there was "a legitimate demand for an increase in the circulating medium". The demand was met, with a vengeance! In two years the paper currency was expanded from 14\$774 to 34\$384 per head. Referring to that period, in his book *Brazilian Exchange* (published in 1896), the late Mr. J. P. Wileman said: "The first attempts to satisfy demands were modest and tentative. . . . As the fever of speculation grew, the demands for more paper money became more and more

imperious. . . . Prudence was thrown to the winds, and emissions followed each other with lightning rapidity, until the volume of the currency, which in 1889 did not exceed Rs. 198,815:562\$, rose to Rs. 606,917:750\$ in 1892!"

The creators of the French *assignats*, a century before, could have done no better! That was not all, however, The balance of international payments in 1889 had been highly favourable to Brazil; but the balance on the wrong side now became 18 per cent, and the total indebtedness of the nation increased by over 36 per cent—from 61\$668 to 84\$065 per head.

Thus was the course set for the new era of "expansion" of republican Brazil. But worse was to follow—worse, because it was meant to "right the wrong", was hailed in London as bound to do so, and looked as if it were doing so—worse, because it did and could do nothing of the kind; and neither Brazil nor her foreign creditors saw the reason. They do not appear to do so, even to-day. A currency was introduced, which had only a theoretical relation to the real currency. It was called the "gold" milréis. The fact that Gresham's Law was not really broken was probably the most pernicious thing about the introduction of the "gold" milréis. Getting round a law is just one degree more contemptible than honestly breaking it. The law was circumvented by making the gold milréis a theoretical one. And nobody saw that not only was that an economic absurdity, but that it was so fundamentally unsound as to be a financial immorality.

The initial, disastrous period of republican finance in Brazil (1889-93) was afterwards known as the *Encilhamento*—the Ramp or Racket. John Law's name was quoted and the South Sea Bubble mentioned. There was, indeed, some similarity in the cases. There had been the same kind of wild recklessness animating the same kind of wild-cat schemes of expansion—starting with the Bank of Brazil under the aegis of the Minister of Finance. The tragic part of it was that it need never have happened at all. Yet this



Brocken Spectre was gigantically and fearsomely to project its shadow on Brazilian public life from that time onwards. The whole thing was quite gratuitous. It was going off into the Unknown, looking for trouble—and never ceasing to find it thereafter.

When Dr. Prudente de Moraes assumed office in 1894, the general situation, especially that of the public exchequer was a pretty poor one in every sense of the word. A number of short-term foreign and internal loans were negotiated and Treasury bonds issued. Exchange went to 5 pence! Some drastic remedy was called for. But a palliative was found instead.

On the 15th of June, 1898, Brazil concluded with her broker-bankers the first of those strange operations euphemistically called Funding Loans. There is no need to explain what a Funding Loan is. The term has been explained inside out since the War. A funding operation simply means that the debtor is not quite so solvent as the public had been induced to believe he was when the issuing houses were floating his loans. A little temporary accommodation "to tide over" is required.

The triangle of the borrower, the issuing house, and the lender seems as fruitful of serio-comic complications as the Eternal Triangle itself, for in both cases the important thing is not to get left with the Baby!

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## 2. THE FICTION OF THE GOLD MILRÉIS

At the end of 1897 the nation had been cowed by the declaration of a state of siege, and in passing the Budget Estimates for 1898 Congress gave to the President, who had cleverly prepared the way with the principal Congressmen, *full power* to negotiate a Funding Loan, and to take any steps he thought necessary to reorganise public finances. Decidedly N.R.A. is out of date! This pre-arranging of voting

in Congress, by confabulation with influential political chiefs (the term "leader" is really a misnomer), the existence of a state of siege, the inclusion of plenary powers for the President in a mere budgetary amendment, and the consequent avoidance of any real discussion on a matter of vital interest to the nation—all this atmosphere of intrigue instead of open debate, and this barrage (against public opinion) hastily erected to canalise "full powers" into the hands of the Head of the State, marked the first steps of the passing of despotic government from the field marshal dictators to the president dictators of Brazil. It foreshadowed that intrigue and political "combinations" were henceforth to substitute open debate and the voice of public opinion in the conduct of the nation's affairs, and not least in the matter of finance. It proved that a state of siege might be declared for some personally adequate reason (as in this case, because of a dastardly attempt on the President's life), but could be utilised and prolonged indefinitely for other purposes, quite inadequate to justify it.

In the year of the Diamond Jubilee of Queen Victoria, the despotism of all constitutional Presidents of the United States of Brazil was virtually established by an amendment in a Budget law. From that moment onwards, federal finances in Brazil were to be directly administered by the President, without any efficient control by Congress and without any control at all by the people. By an obvious analogy, provincial finances in the twenty autonomous states were to be the special preserve, if not perquisite, of the respective state presidents. Public finances were apparently to be simplified, but in reality profoundly complicated by the Policy of the Free Hand—for the President. That policy was to be confirmed—literally "signed, sealed, and delivered"—by the hand of the next Brazilian President, while the whirlwind of that and of subsequent sowings of windy finance was to be reaped thirty-six years later. And when that harvest began to be gathered in, it was to be attributed, erroneously and speciously, to the "aftermath of the War", to "world conditions", and to

"the universal economic crisis"—whereby wisdom was once more justified of her children, and a vicarious feeling of cold comfort was achieved by all and sundry, as they read the Financial "Agreement" of 1934, and waited for what might happen next!

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In 1897 Dr. Campos Salles, President-Elect for the 1898-1902 period, was in London, and gave his personal, written guarantee that the conditions of the Funding Loan contract would be rigorously carried out. If lenders had been frankly informed by the sponsors of foreign loans that the guarantees under presidentialist régimes are always strictly "personal and confidential", there might have been fewer tears in the inexorable future. There would certainly have been less misunderstanding.

Dr. Campos Salles and Dr. Joaquim Murinho, his Secretary of Finance, have been regarded not only as the co-ordinators and consolidators of Brazilian finances, but as far-sighted economists, who placed those finances on a sound basis. The sincerity of their actuation is not in question. The point is whether it was sound, and whether—under the régime in which they operated—it had a fair chance of being effective, not only in its immediately apparent results, but in its permanent scope. The political issue is whether the concentration of plenary powers in the hands of one man makes for financial stability or indeed for any other kind of stability.

In the case of Dr. Campos Salles, he did unquestionably consolidate Brazilian finances. He found exchange at 5 pence, and he left it at 18 pence. That was a great personal achievement. But, great as it was, it was based on a fallacy so subversive as to be tantamount to an economic heresy—one, however, which because of its immediate results was proclaimed as an acceptable, if not an accepted, doctrine of finance. It was pregnant with endless future troubles. It was based on the establishment of two currencies, a modality which had

been claimed as a success in the Argentine. But, in Brazil's case, the "gold" portion of the currency was entirely theoretical, and was furthermore to operate only in favour of the Government and not of the community. It was doubly damned.

Part of the Customs dues was to be levied in "gold". Theoretical gold values were to be juggled with, not for the benefit of the economic life of the nation, but for the profit of the Brazilian Treasury. Any benefit to the Treasury might conceivably be held to be beneficial to the Brazilian nation. But there are other considerations, the most important of which is that, as the "gold" policy was based on unsound financial conceptions, there was bound to be a flaw somewhere in its effects. That flaw was that, in its economic repercussions, it favoured the few to the detriment of the many, whereby the uneven distribution of benefits and damages became enlarged and enhanced in the course of time, and eventually created an entirely new set of conditions in Brazilian economic life.

The budget law which followed the Funding Loan of 1898 authorised 10 per cent of the Customs revenue to be collected in "gold". But as gold did not exist, that was a fiction. The illusion produced by that fiction was to prove fatal.

The "gold" percentage in the Brazilian Customs really meant nothing at all. It was a myth. Yet the view apparently held in London was that it must mean a great deal, and that it offered security to the foreign bondholder. That view seems to have been held until quite recently. Perhaps it might still be held, if the Brazilian Government had not blown the theory sky-high in 1933 by suddenly declaring that there was no such thing as a gold milréis. But, even apart from that declaration, it is difficult to see what tangible security it could be thought attached to a "gold" percentage when there was no gold at all, and when the "gold" collection was merely a matter of a book entry. *Gold was never once collected in the Brazilian Customs under that scheme or under any other, in*

*republican Brazil*. According to the paper value of the theoretical gold milréis, the Brazilian Government collected its "gold" percentage in the Customs *in paper currency*. The amount of the currency thus collected was also affected by the foreign exchange rate for paper money, and by the relation of that rate in pence to the paper rate for the gold milréis, which, existing only in theory, was officially fixed at 27 pence. The flaw in this highly ingenious piece of unchartered accountancy was a flaw at the very foundation. It placed a very imposing structure on an unstable basis, and when future custodians of that edifice thought the building wanted more support they used the expedient of widening the flaw, until the flaw was nothing but a yawning gap of 100 per cent "gold" milréis for duties. Whereupon the tottering building had to be shored up by the rickety contrivance of "controlled exchange"—and a third funding operation!

In the best circumstances, all that the "gold" percentage meant was that the Federal Government received a greater quantity of paper currency than that which the Customs tariff ostensibly gave it. The idea was that by "valorising" a percentage of the Customs revenues in paper—and calling the result of that operation "gold"—the Federal Government should always have funds to buy cover for its remittances abroad in gold. It was very ingenious, but it was unsound; and because it was unsound it eventually ceased to work at all as a gold-producing proposition. It became merely a game (played with paper money) of "heads I win, tails you lose", in favour of the Government and against the importer and consumer.

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The story of the "gold" milréis is not merely a piece of past history. It is, it is true, the story of a legend, because the gold milréis was a myth. But it is a legend which so profoundly affected the Brazilian financial outlook that no comprehension of the present position of Brazilian finances and economics is

possible without due consideration of the operation of the "gold" milréis, and its effects. Customs receipts have, besides, supplied the bulk of federal revenues, their contribution thereto having averaged over 40 per cent of total revenues in the past twenty-five years, and having in some years been responsible for considerably over 50 per cent of that total. The clever expedient of the "gold" milréis, which was hailed on its arrival as the fairy godmother, eventually became the evil genius of Brazilian finances.

In his book on Brazilian exchange, to which allusion has already been made, Mr. Wileman treated the question of an inconvertible currency as a problem. But there was really no problem about it at all. It only became a problem when the Government began to juggle with "gold" milréis. The Government's theory, which Mr. Wileman ably expounded, suffered from being a Conditional Syllogism, in which nobody could control the Condition. The premise was admirable: the Brazilian Government has to pay gold for the service of its foreign loans. Its main source of revenue is from Customs duties. If, when revenue in paper from that source falls off, it puts up tariff rates in paper, then—as the falling-off is generally to be attributed to an adverse exchange rate for Brazilian paper currency—the Government will not be any better off, because the compensating increase in milréis it may receive from increased duties will be set off by the fact that, when it goes into the money market, it will probably find that even the increased amount it may have received in paper milréis from Customs revenues will not, owing to depreciated exchange, compensate for the extra amount it has to pay for the purchase of gold cover. That being so, the easy course—it was argued—is to collect part of those Customs revenues in gold. Thus the Government will cease to be at the mercy of the foreign exchange rate for paper milréis, to the extent of that part which it levies in "gold". That was the argument.

The basic, social fault of the whole scheme was that it

discriminated against a portion of the community in favour of the Government. But, apart from that, its practical defect was that so many concomitant conditions had to be observed that it was not even workable in the manner planned, i.e. as a gold-producer.

The economic objections to the scheme may be summed up very shortly. Neglecting for this purpose the wild heresy of having two currencies, the first objection is that, in the actual absence of one of such currencies (gold), a mythical gold currency had to be imagined, or, if it is preferred, a theoretical gold milréis had to be invented. That objection seems fundamental, for it created a state of affairs it was invented to counteract—eventually. It reduced gold milréis to a fiduciary currency, even in theory, just as paper currency was a fiduciary currency in practice. But, even if that basic defect be passed over, a whole series of other objections at once present themselves that must damn—as they did—the practical application of the scheme, except for the limited period when it *appeared* to work fairly well.

One of the most important Conditions of the gold syllogism was that it would be “illogical” and “impossible” to raise the duties on imports, because the Treasury would, as Mr. Wileman said, merely defeat its own object if it increased “the profits of national ‘*protected*’ industries at the cost of the revenue and of consumers”! Therefore, “the only alternative, the recovery of the whole or part of the duties at par exchange is the *sine qua non* of a permanent equilibrium of Revenue and Expenditure”.

But, on the analogy of the pessimist, who of two evils chooses both, what actually happened was that the part of the duties recoverable in gold was continuously raised, while *the actual rates of duties were as continuously increased*—an “illogical” procedure, no doubt, but not “impossible” by any means. Mr. Wileman proved by statistics that in 1896 national industries were already amply protected; but, if this part of his Condition was to hold good, the important

point was that the national industries should be of his way of thinking, then and in the future. "It would be reasonable", he said, "to stipulate that any *future* increase of duties that fiscal necessity might render imperative should not be neutralised by the protective tendency of such a measure, but accompanied by an equivalent internal tax on national industries already protected by import duties." No doubt that was quite "reasonable"; but, again, what actually happened was not so "reasonable", and prevented another vital Condition of the gold syllogism from operating. Instead of levying excise "on all domestic products when a duty is imposed on similar goods imported from abroad", a *Consumption Tax* was invented that was applied to foreign as well as to national goods! That tax eventually became the second most important source of federal income, yielding between 20 and 25 per cent of federal revenues. It was increased tenfold in the Campos Salles administration (1898-1902), and yielded seventeen thousand contos. In the Washington Luiz Government (1926-30) it produced nearly two million contos.

The other important Condition of the syllogism, if the conclusion of financial "equilibrium" was to be reached, was that by economy in public expenditure, by prudence in the application of revenues, and by strict attention to the vital necessity of nursing paper currency towards the exchange rate of the theoretical value of gold (*viz.* 27 pence per milréis), a favourable position in international payments should be reached, thus automatically facilitating a return of the currency to a convertible basis—which was the whole *raison d'être* of the scheme. But that was expecting too much! The Conditions became more important than the premise, and brought the whole proposition back to the really vital defect of the whole scheme—that defect being that it was an unworkable absurdity, because it was based on an economic heresy, doubly pernicious, because of its intrinsic demerits and because of its illusion of being perfectly sound.

The institution of the "gold" milréis also had the grave



defect of removing a great moral check on the unrestricted issue of paper money and internal bonds. It is quite logical that in the past thirty-five years, i.e. ever since the first funding operation which resulted in the invention of the "gold" milréis, the paper currency of a country like Brazil—with a rapidly increasing population—should have been increased. But the point is that such increases began to be made with but scanty consideration of economic requirements and without the slightest relation to any eventual return to gold parity. By some occult process, that return was—in the dim future—to be taken care of by the "gold" milréis. As, moreover, national industries and exporters derived considerable immediate advantages from a depreciated exchange, it was soon evident that financially Brazil was trying to eat her cake and have it. She made an excellent meal as long as foreign investors continued to supply more cake. But for that reason she never courageously faced the issue of deciding whether she could afford to "expand" at the rate she was doing and by the methods she was adopting. Had the fiction of the "gold" milréis not existed, it is quite likely that all concerned—within and without Brazil—would have realised long ago that Brazil's foreign commitments and her internal expenditure were getting quite beyond her capacity, political rather than economic. The rude awakening of 1934 might have been avoided, if that mythical "gold" milréis had not lulled everybody into a state of mesmerised coma for so many decades.

The introduction of the "gold" milréis in the Customs might conceivably be excused, if not justified, as an heroic measure applicable for a strictly limited period. As a permanent economic feature it was indefensible. As a financial policy it was fatal. It created an illusion of gold and encouraged depreciation of paper. By that double process the gold was surreptitiously sweated out of Brazilian gilt-edged securities. They remained gilt at the edges only.

### 3. FROM THE FIRST FUNDING LOAN TO THE SECOND FUNDING LOAN IN 1914

Reference has already been made to the processes by which full powers were given to President Prudente de Moraes to negotiate the first funding operation. As the immediate results therefrom were spectacularly encouraging, they might appear to be a vindication of the presidentialist system under which they happened. But the very system which had enabled Dr. Campos Salles to have a free hand in financial matters was doomed to undo any good he may have claimed to have initiated. Under a régime of parliamentary government, he or his successors, if raised to power, might have remained in office long enough to carry his financial scheme to its logical conclusion. In 1899 he had raised the "gold" Customs quota from 10 to 15 per cent, and had started the levy of consumption taxes. The severity of these measures was exacerbated by the wholesale withdrawal of currency from circulation—the logical accompaniment (and London's contractual imposition) of trying to bring paper currency up to par rate of gold exchange. Had he remained in power, he might have gone on to the bitter end, bitter—that is—for local traders who protested vehemently and were unceremoniously repulsed. But some logical end would possibly have been achieved. Perhaps the means would have justified the end, in spite of the commercial failures, bank smashes, and panic which his policy actually caused, but which historians forget to mention when they bid us gaze with admiration on those "golden" days. The Campos Salles plan (as elaborated by the London Lombards) might have ended by placing the currency on a convertible basis and, by a probable sequence of lowered prices, have brought alleviation to trade. The "gold" quota might thus have disappeared—merged into total convertibility—and Brazil might thereafter have settled down to a steady march of economic development, with reasonable borrowing. In that case, the remedy could have been claimed as having

worked, and as no longer required. The Conditions of the gold syllogism would have been fulfilled.

But under the presidentialist system of relay races, Dr. Campos Salles had to pass on the baton with his work unfinished. Prices had not, as a matter of fact, dropped at all, and they showed no signs of doing so. Under the magic wand of the "gold" fairy, Brazil's credit abroad was good. But the whole plan reeked of artificiality. What was worse was that it produced the most widespread crop of commercial failures and social misery that Brazil had ever known. And, after all those tears, the race was not won. It was not even finished.

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From a purely administrative angle, the gravest defect in the presidentialist régime is that nothing is done with dispatch and everything with haste. The most pressing administrative preoccupation of a presidential dictator is to rush through his pet schemes before the curtain rings down on his act. He knows he can occupy the stage for a limited time only. Everything has to be done in a tearing hurry, so that nothing is done well. He may have faith in himself, but he simply has no time to have faith in the future. He can never allow himself the leisure to sit down and watch himself go by. Dr. Campos Salles used to say that the only problem in Brazil was one of administration. Politics were a void. With that *idée fixe* in his head, he blindly proceeded to fill the void by creating the one political problem that was destined to render good administration in Brazil a practical impossibility.

In order to secure freedom from control by Congress in the application of his financial plan, Dr. Campos Salles took the final step necessary for placing the President of the Republic of Brazil in the position of an autocratic ruler.

He rightly perceived that the drastic measures attending his financial scheme might arouse opposition in Congress. As for public opinion, that had ceased to count, though it

sometimes made itself heard. It never did anything so futile as to try exercising pressure through Congress, but it occasionally ventured to embody itself (as it still does to-day) in a scared deputation to wait on the Supreme Power, only to hear the inevitable *Hoc volo, sic jubeo* vouchsafed to its timid representations. Under any other régime, parliamentary opposition might have been violent; but it might have been an excellent corrective. Under the presidentialist system, its violence could only be obstructive. The system is as elastic as a piece of Portland cement. In order, therefore, to be unhampered in the execution of his financial scheme, Dr. Campos Salles instituted various political *démarches*, the upshot of which became such an important feature of Brazilian politics that it was immediately crystallised in a phrase which is now historic in Brazil. It was called *Politica dos Governadores*—Policy of the Governors. That policy furnishes the remaining clue to the financial and political Slough of Despond into which the presidentialist régime eventually plunged the country.

Provincial administrators under the monarchy had been called governors. Under the republic the provinces became autonomous states, each with its president; but the term “governor” was and still is often used for “president” of a state. The *Politica dos Governadores* refers to the policy which Dr. Campos Salles and the state presidents mutually agreed upon. It became the permanent unwritten agreement between federal and state presidents. In its execution and repercussions it vitally affected Brazilian finance, on which its influence was as great, if not as immediate, as the “gold” quota in the Customs. Its effect on the political life of the country was so profound that it could not fail to react on Brazilian finance. The best succinct explanation of what that policy was is given by the well-known university professor, politician, and author, Dr. Mauricio de Medeiros, in a recent work of his called *Outras Revoluções Virão!*

“Campos Salles”, writes Dr. Medeiros, “gave everything

to the governors, in order to have Congress in the palm of his hand. He gave employments. He gave scandalous recognition of electoral frauds. But he constituted himself the vigilant guardian of their political attitudes, in as far as the latter might be reflected in the Federal Congress."

"The federal appetite did not content itself with any merely transitory support of the governors who were in office. If, as had happened, the federal authorities had served to form an electoral clientele of federal employees, they could also manœuvre that clientele against the governors themselves. By menacing to stem the tide of favours, the Federal Government began to interest itself in successions to power in the states, in order to have the certainty of continuing to receive the unconditional support of the state *bancadas*—the regional representatives—in the Federal Congress."

"Thus the 'Policy of the Governors' instituted by Campos Salles created a system of mutual support and assistance, and of mutual dependence, viz. the Federal Government depending on the Governors in order to be independent of the control of the Federal Congress; and the Governments of the states depending on the Federal Government in order not to see themselves deprived of the favours which strengthened the ranks of their electoral hosts."

"It may be said, without fear of contradiction, that from the time of that 'Policy of the Governors' onwards democracy practically disappeared in Brazil."

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One of the main aspirations of the republicans of 1889 had been to strengthen the autonomy of the new "states". Under the monarchy, the influence of the governors in their provinces had been rather ponderous and might at times have justified the epithet of meddlesome. But Brazil's vast extent of territory must be remembered. In order to furnish the wherewithal for public expenditure to the twenty new republican states, the exclusive faculty of levying export taxes was

transferred to them under the Constitution. The aggregate of those revenues was about two million pounds—quite a considerable sum then, and one which caused federal revenue to drop from 9\$998 to 8\$059 per head. The concession was an unfortunate one in its eventual economic results. By 1933, export taxes aggregated 35 per cent of state revenues from taxation, and in some states was over 50 per cent.

But if the old provincial governors had, at times, been paternally heavy-handed, the Policy of the Governors inaugurated a grim system of oppression. Any attempt at free expression of opinion always ended in imprisonments and murders, and free elections became a frank fraud. The governors were henceforth the Federal President's henchmen—who sometimes rebelled, as vassals will. Both Federal and State Congresses were merely voting machines, the parts of which were assembled by the state and federal presidents. The birthright of freedom of the states was sold apparently for the mess of pottage of export taxes, but in reality for the feudal alliance between federal and state holders of power. For the privilege of being miniature dictators, the state presidents became the liegemen of the Federal Overlord, just as, rather more crudely—under the Provisional Government of 1930—the interveners in the states were envoys extraordinary appointed by the Head of the Central Government at Rio to act as its proconsular potentates.

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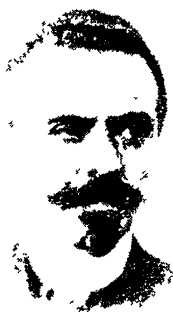
The next President (1902-6), Dr. Rodrigues Alves, had—as Minister of Finance in 1895—negotiated the first foreign loan of the republic. He was not much preoccupied with following the Campos Salles plan to its logical conclusion. The process would have been rather painful. His administration was attacked by the mania, common to every subsequent Brazilian President—it is the characteristic of dictators in every age—for public works on a colossal scale, while it also marked the invasion of Brazil by *brasseurs d'affaires*, armed



DR. RODRIGUES ALVES  
1902-1906



DR. AFFONSO PENNA  
1906-1909



DR. NILO PEÇANHA  
1909-1910



MARSHAL HERMES DA FONSECA  
1910-1914

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with cheque books and fountain pens. The pace of "expansion" was terrific. Brazil became the Land of Promise and the Canaan of Promissory Notes. The foreign investor was apparently convinced not only that he was "on a good thing", but that he was a philanthropist, a benefactor of mankind—especially of Brazilian mankind. Cities were to be beautified. Railways to be built "from there to there", as marked by a little ruler on a large map. Ports were to spring up and handle an ever-growing volume of prospective trade. Every prospectus was pleasing and the continued influx of capital covered up any defects. There seemed no end to the money that European investors were prepared to pour into Brazil.

If coffee prices were too low, all that had to be done was to raise a loan and "valorise" them. If the industrialists wanted more protection, they got it: the tariff was raised. If the Government wanted more money—and they were always wanting it—they knew where to find the key to unlock the Golden Treasury. Dr. Campos Salles had shown them. The "gold" Customs quota was raised. That "gold" percentage lost even its mythical relation to the eventual attainment of convertibility. It became merely a device for increasing federal revenues—in paper!

Bad reactions from any of such measures were countered by the adoption of other measures which, in turn, reacted unfavourably and called for still further measures, and so *ad infinitum*. The network of all taxes was thrown wider. They were increased and new ones invented: circulation taxes, transport taxes, transit taxes, invoice taxes, and so forth. The income tax came later, and many others followed it. Consumption taxes were constantly raised and extended. It was in this period that, owing to excessive import taxation, one of Brazil's most thriving industries was established on firm bases—the contraband industry.

In all this orgy of wild expenditure, there was one modest item that was worth all the new palaces, asphalted avenues, and fleets of ministerial motor cars put together. Yellow fever

was stamped out by the scientific zeal and administrative capacity of a great Brazilian, Dr. Oswaldo Cruz. It cost a bagatelle, and it was a fine achievement. It is one of which Brazil may justly be proud.

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The most important financial events of the 1906-10 presidential period were the elaboration of the first large-scale scheme for the valorisation of coffee and the creation of the gold Conversion Bureau. The institution of both schemes was (as usual) intimately related to internal politics, and the latter to private interests. S. Paulo coffee interests were to be served in return for allowing a Minas Geraes politician, Dr. Affonsa Penna, to be President, while a figure of political importance in the State of Rio de Janeiro, Dr. Nilo Peçanha, was to be Vice-President. (The President died in 1909, and was succeeded by the Vice-President.)

A coffee agreement was signed at Taubaté in 1906, between the Governments of the three important coffee states (S. Paulo, Rio de Janeiro, and Minas Geraes), by which they obliged themselves to maintain a certain price—which varied between fifty-five and seventy francs gold—per bag of coffee at the ports of shipment. Coffee in excess of export requirements was to be bought and retained. A tax of three francs gold per bag was to be levied on coffee exported. The product therefrom was to be used to guarantee the service of such foreign loans as would be required to finance the purchase of coffee for retention. (The gold clause, it may be noted, was a contractual obligation dealing with a reality, i.e. a gold franc; it was not open to the objections attaching to the “gold” milréis in the Customs levy.)

The law of averages was invoked to justify the Taubaté scheme. It was proved by statistics that, over a number of three-year periods, two good crops were followed by a poor one. Coffee retained under the Taubaté scheme would thus supply the world's shortage in the lean years, while there

would be no plethora of coffee to depress prices in the world's fat years. That was the essence of the plan, as it was of the future mystifications called coffee valorisation plans. The future was to be discounted—on the basis of hopeful pessimism.

The only man who ever made a success of a valorisation scheme of that nature and operated it profitably was Joseph, but he had the advantage of being a prophetic interpreter of other people's dreams, and history does not record that even he tried it more than once. The dream might not have come true the next time, even if Pharaoh had dreamed it. The Brazilian scheme nearly came to grief, because the piece of ruled paper on which the graph of averages had been plotted had not been wide enough. Bumper crop succeeded bumper crop. But eventually Nature relented, and sent frost and lean years to make up for her cursèd bounty. The "law" had been vindicated—to Brazil's undoing, for she was encouraged to go on repeating the operation with a whole series of variations that had as little to do with the law of averages as they had with the dictates of common sense. She ended by making bonfires of her coffee and taxing the coffee exporter to finance that pyrotechnic display. The taxes eventually amounted to considerably more than half of the total export price at the Brazilian port of shipment! The Egyptians would hardly have been impressed if Joseph, or his successors, Aaron and Moses, had told them that the best way to keep snakes alive was to let them chew their own tails.

In the matter of all Brazil's coffee schemes it must be remembered that, as in all other public affairs, the opinion of the majority has never been consulted. The most the coffee planters have ever been asked to do is to ratify a *fait accompli*—and of course to pay. All coffee schemes have been the outcome of private confabulations between a few interested parties, who declared that they were acting in the general interest. In a recently published book, *A Política Económica do Café* (Brussels, April 1933) by Senhor Pedro Cintra Ferreira, the

author, referring to the Taubaté convention of 1906—prototype of all subsequent schemes—points out that “a minority of coffee planters, by causing their electoral influence to weigh in the balance, compelled the Government to intervene directly in the question of coffee. . . . That intervention aroused many criticisms”—which were quite ineffective—“because the coffee question offered innumerable possibilities for serving political ends.”

The statistical position of coffee to-day is that there are three billion coffee trees in Brazil with an annual production capacity of 27,000,000 bags; and, in other countries, one and a half billion trees with a capacity of 12,000,000 bags. The world's annual coffee production for the next five years (barring frosts or other visitations of Nature) will be something over 36,000,000 bags; and the world's consumption not more than 26,000,000 bags. Twenty years ago Brazil's competitors supplied less than 25 per cent of the world's consumption. To-day their percentage is 35, with the circumstance that they sell over 99 per cent of their exportable coffee every year, so that the Brazilian planter and the London lender carry the golden coffee-baby between them! Brazilian coffee “propaganda” has cost a fortune. It has always been perfectly futile. It has, without exception, been entrusted to the wrong people. The only tangible thing it has ever achieved is to enrich the propagandists while upsetting consuming markets abroad to the prejudice of exporting firms in Brazil, who have done much for Brazilian coffee and who have their reward in being to-day regarded as parasites.

The constant entry of foreign capital in the Rodrigues Alves period (1902-6) had kept exchange up, but excessive import duties—on top of the “gold” quota—had kept the cost of agricultural production high too, so that the price of something over twenty-two milréis per bag at which coffee was then being exported did not, with exchange at 17 pence, compensate for the cost of production. No argument would induce the Federal Government to lower Customs dues. It

was afraid of losing revenue. The Government had to be rich, though the people were poor. Furthermore, national industries—already powerful—strongly opposed any such idea. From the standpoint of the immediate interests of coffee, what happened at Taubaté was to be expected. Coffee planters were in a cleft stick, and they did the best they could for themselves. They had to burn candles to all sorts of devils. They ended by burning their own fingers; but that was a tragedy due entirely to the fault of a régime of public administration, under which there was no place for the elaboration of any national economic policy—because the nation was never consulted—and no coherence or continuity in operating the cobbled contrivances that did duty for economic plans. The Conversion Bureau was created by a decree of December 1906. The gold product of the foreign loan operations to be realised as the result of the Taubaté convention, and of any other foreign entries of capital, was to be deposited in that Bureau, which would issue convertible notes against such deposits, at 15 pence per milréis. The rate of exchange for Brazilian currency at that time being 17 pence, what the coffee interests had succeeded in doing was to bring exchange down, i.e. to receive more milréis for export bills of exchange.

A coffee valorisation loan, with federal guarantee, was negotiated in London in 1907. The limit of £20,000,000 fixed for deposits in the Conversion Bureau was reached in 1910, and that was the signal for launching another federal loan, immediately afterwards, of £10,000,000. The precept of the issuing Isaiahs was: loan upon loan, "here a little, there a little".

In an official report issued in London in 1929 it was stated: "The Brazilian Government has generally followed a far-seeing policy with regard to the entry of foreign capital, realising that the country itself will inevitably be the chief beneficiary in the long run, since capital once sunk cannot be withdrawn without leaving the country permanently enriched in some way." As a matter of fact, capital in Brazil has been so

deeply sunk that it cannot be withdrawn at all to-day, and it is open to question whether anybody has been "permanently enriched"—except the intermediaries. But the important thing about that official British statement is that, as it stands, it is an extremely left-handed compliment to the Brazilian authorities; for it means that they have been unscrupulous borrowers. That is not so, and possibly the statement was not meant so. Where, however, the report is really misleading—for lack of discernment—is in talking about "a far-seeing policy". There has been no policy at all, unless borrowing as much and as often as possible can be termed a policy. There has been merely hand to mouth borrowing, either to fill a depleted Treasury, or to favour some pet scheme of expensive and—more often than not—unproductive public works.

If it be remembered that a mythical gold milréis was the protecting genius of the first funding operation; that the ten million pounds loan of 1910 was issued on the apparent success of the Conversion Bureau, which was directly connected with the first coffee valorisation scheme—itself a mere device; that millions more were subsequently raised to finance the artifice known as valorising coffee; that wild borrowing was punctuated by three funding loans in thirty-four years, and by a fantastic scheme to stabilise Brazilian currency on borrowed gold; and that all this ended in a moratorium, called a Financial Agreement, in 1934, it will probably be admitted, especially by Brazil's best friends, that all Brazilian financial schemes since the Republic have been mere financial expedients, devoid of any policy at all, much less of "a far-seeing one".

Every single capital investment in Brazil, whether in Government securities or in public and commercial enterprises, could not fail to be conditioned to the régime of Government. That régime rendered effective debate in Congress and freedom of public discussion impossible, and converted public administration into a *staccato* succession of experimental whimsicalities exempt from all control and

responsibility. The fact that the autocratic heads of Government were limited to an innings of four years did not, as Viscount Bryce imagined, make matters any better. It made them worse; for it definitely excluded the possibility of any continuity of action, just as the régime itself excluded any policy. Not only were all negotiations in the matter of Government loans carried on in the utmost secrecy, but the fact that such loans were even contemplated, their amount, their obligations, and their implications were positively unknown in Brazil to any but the immediate entourage of the President, until the respective deal was concluded. The same held good with all questions affecting internal finance, banking, trade, and industry, all of which had decrees and regulations sprung upon them from one moment to another. Moreover, the presidentialist system does not favour any rigid system of book-keeping, whatever up-to-date methods of mere office efficiency may be introduced. It may be objected that strict accountancy does not depend on any system of government. But that is just what it does. Strict accountancy cannot exist under a régime in which nobody can be called to strict account. When Mr. Woodrow Wilson inveighed against "the spoils of office" as inevitable to the presidentialist régime, he knew what he was talking about. The disguise of political expediency covers a multitude of sins.

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The unofficial candidate for the 1910-14 period was Dr. Ruy Barbosa—a really popular figure of great prestige—who was supported by the coffee interests of S. Paulo. That state had been left by the other coffee states (contrary to their common agreement) with the whole burden of the service of the coffee valorisation loans. But the official candidate, as always happens, was declared "elected". He was Marshal Hermes da Fonseca, who had formerly been Minister of War. He became very unpopular before his term of office closed, undeservedly so as far as he personally was concerned. But

the people, who were feeling the ill effects of many years of autocratic rule, made a grievance of the fact that they were being governed "by the military". That was not really so. In fact, the President was extremely scrupulous in putting his Army rank in the background while he was in office, and military methods did not characterise his administration in any way.

Financially the Government of Marshal Hermes followed the lines of its predecessors by being a suppliant for foreign loans and by continuing to support the valorisation of coffee. S. Paulo interests, which had known how to make their peace with the successful presidential candidate, were thus conciliated. Exchange was at 18 pence, and the Conversion Bureau (which had been closed on its limit of £20,000,000 being reached in May 1910) was re-opened with a new limit fixed at £60,000,000. The previous example was followed, and the rate of 2 pence below the ruling rate for currency was established for its convertible note issues. About five million pounds were deposited under this expanded scheme, and then the importation of gold ceased. The issue of Conversion notes had practically doubled the amount of paper money in circulation, viz. four hundred and six thousand contos in convertible notes, and five hundred and eight thousand in Treasury issues. The artificial peak had been reached—the descent only to be interrupted for a brief moment by the benefits which the War brought to Brazil.

In 1910 and 1911 various new loans were raised in London and Paris for ports and railways. The service of Brazil's foreign loans began to be a problem. The classic way out was to contract another loan, and this was done in 1913, when £11,000,000 was raised in London, ostensibly for port works and a railway.

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Plantation rubber had in that year exceeded the Amazonian production for the first time. The case of rubber is another,



typical instance of the lack of any economic policy in presidentialist Brazil. The Brazilian Government had, years before, been fully apprised by its own emissaries of the Eastern rubber situation and of the menace of competition. The cause was obvious. Others had been encouraged to plant by the high prices for wild, Amazonian rubber. The high prices were due to a variety of circumstances, the most vital of which were two: first, the difficulties of time and distance in gathering latex from the clumps of rubber trees scattered in widely separated patches over the huge forests of the Amazon valley; and, secondly, the fact that all the necessities of life were imported, although foodstuffs could have been produced locally. The high Customs tariff made national goods from the south, as well as merchandise imported from abroad, extremely expensive. Furthermore, the local population was sparse, and the rubber gatherers were emigrants from the drought-stricken regions of the north-east of Brazil, who were hardy workers, but who could not be expected to plant beans and rice when they might be collecting rubber at high wages.

A Rubber Defence Commission was created. It spent one million pounds on propaganda—and other things—and it achieved nothing. The obvious policy would have been to counter the conditions which made the cost of Amazon rubber not only high, but unnecessarily so. It would have been simple and easy to do. Some of the million pounds could have been expended in the plantation of rubber “on the doorstep”. That suggestion was indeed made, but was laughed to scorn. Export taxes could have been reduced by the states interested, and federal Customs dues lowered. But the latter measure would have raised a storm of protest from the manufacturing interests in the south of the country. In 1910 Brazil received £25,000,000 for 39,000 tons of rubber exported, and in 1933 £263,000 for 9,500 tons! The bottom was knocked out of Brazilian rubber rather more quickly than it eventually was out of coffee, because rubber was

rapidly becoming an essential commodity in the world's industries, whereas coffee is not a necessity at all.

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Hopelessly taken in the toils of a régime which, by its intrinsic defects, could evolve no coherent plans, but merely blundered from expedient to expedient, the Government in 1914 began to cast about for an even larger loan—one of no less than thirty million pounds this time! But purveyors of loans were getting shy. Negotiations trailed on through the first months of 1914, and, instead of a new loan, all that was achieved was a further piling-up of past debts into some sort of shipshape heap, called the Second Funding Loan.

When the War broke out in August of that year it was found convenient to close the Conversion Bureau. There were only five million pounds left in it! The rest had been used "to keep exchange up". An internal issue of two hundred and fifty thousand contos of Treasury notes was made.

Between 1901 and 1913 the Federal Government alone had contracted loans of over £25,000,000 in London. In the five years, 1908-13, the financial markets of Europe had raised all told about £184,000,000 for investment in Brazil.

Customs revenue in 1914 had declined by 24 per cent. Local factories were working reduced hours. The general feeling was one of oppression and instability. It was the first serious reaction from the orgy of spending that had followed the gold mirage of the Campos Salles period.

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#### 4. FROM THE SECOND FUNDING LOAN TO THE THIRD FUNDING LOAN IN 1932—AND AFTER

For the 1914-18 period, Dr. Wenceslau Braz, a Minas Geraes politician, who had been Vice-President in the preceding period, was President. The political machine had resumed its normal function of generating an alternating



DR. WENCESLAU BRAZ  
1914-1918



DR. EPITACIO PESSÔA  
1919-1922



DR. ARTHUR BERNARDES  
1922-1926



DR. WASHINGTON LUIZ  
1926-1930

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current between Minas Geraes and S. Paulo in federal administration.

Owing to the coyness of foreign lenders, the mad whirl of public expenditure had come to an abrupt halt. The funding operation of 1914 had nothing to do with the War. It was due to the breakdown of previous negotiations for further loans. Suspension of payments for service of foreign loans was bound to come. The pace had been too hot. It had been Rake's Progress. The administration of public funds over a period of sixteen years (from 1898 to 1914) had been qualified by all the variations of the meaning of "bad".

The general public was far from content under the avalanche of public spending, but, in the absence of any means of giving effective expression to its opinion, it resigned itself to murmuring "*Paciencia*," while it always nourished a sweepstake hope that something (to quote Cervantes) might come out of the next shuffle of the cards—"Paciencia y barajar!" Brazilians are always buying lottery tickets, but in the political lottery they have not yet drawn even a consolation prize. The composition no less than the genesis of congressional assemblies precluded their having any controlling influence on public administration, while the unsubsidised press could only squeal.

Paper money in circulation, which had been six hundred thousand contos in 1892, had risen to one million contos by 1914. A further two hundred and fifty thousand were added on the outbreak of war. But in the following four years currency issues were doubled, to the accompaniment of large emissions of Government bonds. Those issues had no immediate effect on economic conditions in Brazil. Exports rose from one and a quarter million tons in 1914 to two million tons in 1919, the respective values being forty-seven million and one hundred and thirty million pounds. Paper currency values for exports rose in proportion, the average exchange rates being practically identical in both cases.

It was not until four years later that, with wild issues and even wilder spending, the rate of exchange broke and fell with a crash. At one moment in 1919 it had stood above 18 pence. At one moment in 1923 it reached the level of only a fraction over 4 pence. The fate of Humpty Dumpty had by then definitely overtaken it. Half a dozen economic factors may be adduced in explanation of the great fall of Brazilian exchange, but no economic factor in itself, or even in conjunction with others, is sufficient to account for the exchange situation. The Government of Dr. Epitacio Pessoa (1919-22), in whose period the great fall began, has been 'blamed. But that is unfair. Dr. Pessoa's actuation undoubtedly hastened the final fall, but it was by no means the primary cause of it.

History will one day record that in their natural anxiety to arrive at quick conclusions the *post bellum* economists were led into the error of hasty and superficial reasoning. They set themselves to account for economic phenomena by seeking merely for economic causes. They arrived at conclusions which appeared to be quite logical within the reference to which their self-appointed commission of economic inquiry was confined. But directly the deductions of those logicians were applied, something went wrong. The flaw was that their reasoning might be right, but that their self-imposed terms of reference were hopelessly wrong. They had been trying to arrive at broad conclusions from one—the narrowest aspect of social relations. The modern political economists had excluded polity from their considerations. They were themselves baffled by the aberrances resulting from the practical application of their own theoretical deductions. Instead of owning that they had been wrong, they adopted the illogical attitude so dear to logicians. They shifted their ground, and began to talk about directed economy as though they had made a discovery. They might have taken a peep at South America first, before shouting "Eureka."

Ever since 1889 the people of Brazil, for instance, have been listening to the claptrap about their "great future";

but in the light of the past they are inclined to consider the future as a mystification, devoid of any paradisiacal bliss. For nearly half a century, directed economy has been a snare and a delusion to a country in which politics have degenerated into the lobbying manoeuvres of irresponsible carpet-baggers. The constant adverse factor in the vagaries of Brazilian exchange as in all her other economic woes has been a negative one, viz. the absence of any really political considerations and of any civic ideals whatsoever. The very question of Brazilian exchange proves it. For "all the king's horses and all the king's men" have not succeeded in putting the Humpty Dumpty of exchange together again, though they have been at the job for a dozen years. The "king's horses" have hauled in foreign loans galore, and the "king's men"—in Brazil and abroad—have sat in sapient conclave contriving plan after plan, but to no purpose. Eventually they have not owned, of course, but shown themselves conclusively beaten in that inconclusive document known as the Financial "Agreement" of 1934.

Much abused democracy, operating by means of the control of responsible government, is no doubt imperfect—as imperfect as humanity itself. It may be all its enemies claim for it; it may be cumbersome, and its handling of social and political problems may be halting, faulty, and unconvincing. But its very defects have at least the virtue of avoiding the creation of irremediable situations. The autocratic rule of irresponsible government, which is at its most insidious when masked under a constitutional disguise, may be spectacularly rapid in settling problems by a stroke of the pen at the foot of a decree. That is hailed by the Court toadies as a stroke of genius. But the constant achievement of autocracy is to sow the seed for a harvest of emergencies and impasses that are a burden to its people at home and disastrous to international peace. The economic defect of monochromatic rule, whether by dictatorship or by presidential despotism, resides in the instability it produces, owing to the internal

agitation which invariably characterises such forms of government. Traditions of serfdom as in Russia, of barrack-yard obedience as in Germany, or of petty state factions as in Italy, may make the suppression of such agitation relatively easy. But the instability is latent nevertheless. In Latin America that instability is constantly coming to the surface—a potent witness that its reactions on finance and economic conditions are profound.

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The cost of living in Brazil rose from the index number of 100 in 1912, to 102 in 1914; to 119 in 1916; to 152 in 1919; and 273 in 1927.

The exchange rate dropped from 16 pence in 1913 to 10 pence in 1914, owing to the factors which led to the second funding operation. In the War years it became firmer at about 13 pence, while the average for 1919–20 was 14 pence, though it went to over 18 pence at one period in 1919.

Brazil obtained highly remunerative prices for a variety of products which she had not exported before the War, so much so that in 1917, for instance, the export values of coffee were only 38 per cent, instead of the usual 70 per cent of total export values. The War years might have put Brazil on her feet again. To some extent they did, but not in the direction they might have done. The Government failed signally to comprehend the possibilities of the situation, much less to adopt any economic policy envisaging the future. The line followed, financially, was the easy expedient of issues of bonds and currency. The funding operation of 1914 had eased the position abroad. Many large public works were stopped. Even in normal circumstances large-scale expenditure thereon would have had to be curtailed. Imports consequently declined, thereby causing a decrease in Customs receipts. Import tonnage (partly on account of public works schemes) had risen from 4,000,000 tons in 1910 to 6,000,000 tons in 1913; but much of this tonnage was exempt from import duties by virtue of public works contracts. Importation dropped pro-



gressively from 3,500,000 tons in 1914 to 1,700,000 tons in 1918. To compensate the decrease in Customs revenue, the "gold" quota had been raised to 55 per cent in 1917. But when the temporary conditions of the War disappeared, that quota was not reduced. It was still further increased, until in 1928—with the gold quota at 60 per cent—federal Customs revenue from imports which had again reached pre-War tonnage was three times the corresponding pre-War amount—in paper. For fiscal purposes the consumption taxes were still further increased, in 1914-18, and a new system of taxes on commercial profits was introduced.

But the most important aspect of fiscal policy was the progressive increase of Customs duties and of the "gold" quota, whereby Brazil became definitely wedded to the policy of protection with which she had been dallying for so many years. Henceforward no favours were to be too great and no concessions too ample for what she began to call her "industrial park", and the S. Paulo manufacturers saw to it—long before N.R.A. was even thought of!—that the right psychological atmosphere of optimism should be created, when they had the tramcars of their city painted with the permanent reminder that "S. Paulo is the greatest industrial centre of South America". At whatever cost, the Brazilian people were to be borne onwards and upwards towards the ideal of living by taking in each other's washing.

The real patriotism was for the poor—who had no choice in the matter and who could afford only drill fabrics, coarse cotton shirts, and cheap shoes—to enrich local manufacturers by "buying national", and paying three times more for poor quality than they would have had to pay for good quality without the Customs barrier. Sick people could cure themselves as best they might by swallowing imitation drugs, because the price of foreign medicines was made prohibitive. Agriculture itself was to be the handmaiden of national industries by having the onerous privilege of purchasing bad hoes and transparent gunny bags, for coffee and cereals,

at twice the prices at which corresponding articles of good quality could have been imported duty free. No less an authority than the Federal Director of Agricultural Inspection was proudly to declare in 1931 that Brazil was "one of those countries belonging to the type which, in the words of Marshall, is destined to meet its own needs"! International reciprocity in trade was bunkum. Exports could take care of themselves, including coffee which was to be valorised for ever and ever by a piece of financial jugglery performed by the specially engaged troupe of national conjurers and foreign prestidigitators.

For the increased cost of living in Brazil, during the war years, the only people who had found compensation were the profiteers (of all nationalities) and the local manufacturers (also of all nationalities, including Germans). The mass of the people merely felt the adverse effects of higher Customs duties and increased internal taxation. A favoured few might be getting rich by shipping beans, rice, and meat to the Allies (or contraband coffee and cocoa to Germany), but the high prices thereby obtained were reflected in the home market to the corresponding disadvantage of the home consumer. National industrial output might be rewarded by profits to the factory owners and their politician partners of 100 per cent and more, but those gains were being made at the expense of the consumers, whose only privilege was to pay high prices for poor quality. Popular discontent was developing into popular clamour. But when the United States became a belated Ally in 1917, Brazil followed suit, and the Government once again found it convenient to impose on the people what had become a hardy annual in republican Brazil: it declared a state of siege! Issues of paper money were made to help coffee, the export trade of which had naturally suffered by the loss of important distributing centres like Hamburg and Trieste during the War, and had not been fully compensated by contraband shipments through countries like Sweden.

Brazilian exportation continued to benefit by the optimistic buying that immediately followed the War. The total value of Brazil's exports, which had been £65,000,000 in 1913, rose to £130,000,000 in 1919, and the favourable trade balance in the latter year was £52,000,000.

The most significant feature of all this was not, however, the matter of high prices or even of greater export tonnage; but the fact that Brazilian exportation had at last—quite casually—got on to a broader foundation. The obvious thing to do was to try and keep it there. But the obvious thing was not done. It was not even seen. The economic structure was still unsound, but the improved statistical position had strengthened the basis. But the directors of Brazilian directed economy heeded none of these indications. They had other fish to fry. They were engrossed in their own private political diversion of back-stair corybantics.

When the War ended Brazil held splendid cards. She did not misplay the hand. She clumsily upset the table and called for a new deal. The United States apparently had money to burn—certainly to lend. They were already displaying a predilection for New Deals.

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The Brazilian President-Elect for the 1918-22 period was Dr. Rodrigues Alves, who would thus have been President for the second time. But he died before taking office. The political wire-pullers were therefore in a quandary, because that untoward event upset the hegemony of S. Paulo and Minas Geraes in federal administration. Dexterity—the outstanding feature of Brazilian politicians—itself is powerless before death, and there was no time, before the legal period within which fresh presidential elections had to be held, to reorganise the mazy set of political lancers in the sense of conciliating rival claims and private interests in and behind the highest posts in public administration. The political bosses therefore sought for a candidate who should, by virtue

of his personal neutrality in subterranean political intrigue, or aloofness therefrom, be acceptable to all because he was unacceptable to none. His period of office would thus be a kind of breathing-space in which the wire-pullers could rearrange their puppet-show. The first part of their programme was duly carried out. But they never realised the second part of it as they had conceived it. Other extraneous elements came into play, principally because it happened that the new President (whom they chose) did not play the political game their way. They succeeded in re-establishing the hegemony of Minas Geraes and S. Paulo in federal administration four years later; but only by very crude processes, for in those intervening years there was to be what Mr. Emmanuel Pyecroft called a "painful interregnum", and that fact was to give an entirely new aspect to Brazilian politics in the future. It was destined to lead to a harshness in political intrigue and a certain inelegance in political attitudes, which—in spite of the inherent vice in the presidentialist régime—had not been seen in Brazil since the earlier republican days.

The manipulators of the political intrigues inseparable from the presidentialist system had formerly known how to wear, with becoming dignity, the frock coats of churchwardenly respectability as they extended the offertory plate for the collection of taxes—that being the most significant event, and the only one comprehensible to the people, in the intricate ritual of the Black Mass of Oligarchy as celebrated by the high priests of despotism and their acolytes. By 1922 the political machine had begun to creak badly. Those crude methods and attitudes would no doubt have revealed themselves sooner or later, but the accident of the 1919 presidential election threw the machine out of gear somewhat violently.

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Dr. Epitacio Pessoa had been head of the Brazilian Delegation at the Versailles Conference in 1919. He was a distinguished jurisconsult. In the troublous days of 1893 he had

made a name for himself, at the outset of his public career, by four really remarkable speeches in which he figured as the champion of political liberties against the evils and injustices of despotism—a form of government of which he himself, thirty years later, was to be one of the highest exponents, from a question of temperament. As he himself wrote afterwards: “I was the President who refused sanction to the greatest number of legislative resolutions.” He did not, that is, attempt to influence their debates; he just allowed Congress to be a mere debating society! Dr. Pessoa assumed office in August 1919. He had not aspired to the presidential dignity, because—as he afterwards wrote—“the political machine of the country was so constructed that the representative of a small state, like Parahyba, had no right to any such high ambition”!

Had Dr. Rodrigues Alves lived to wield presidential power the second time it is quite possible that his period would not have been characterised by parsimony. It was during his 1902–6 term that public expenditure on a large scale had been inaugurated. On the other hand, there might have been nothing very much beyond Brazil’s usual irresponsible optimism of over-borrowing and over-spending. Dr. Rodrigues Alves knew the ropes well. He had been Federal Minister of Finance, and president of his own state, S. Paulo. He was familiar with public administration, and knew just how far he could go. The future would no doubt have continued to be discounted, but there is no reason to suppose that it would have been disastrously compromised. This is not mere idle speculation as to what might have happened had Dr. Alves not died. It is an important consideration, in fairness to his substitute, whose errors were those of degree and not of kind. The real vice was in the régime, which allowed a brilliant lawyer and gifted orator, who revealed deplorable incapacity as a public administrator, to remain in office, as others with greater or lesser gifts and greater or lesser incapacity had done before him and were to do after him. From 1919 onwards, Brazilian public administration embedded itself

deeper and deeper in the mire of financial expedients, while Brazil's public men seemed to hug the illusion (or, at least to wish others to hug it) that they were bearing the country along on the wings of the morning towards Jerusalem the Golden.

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Dr. Pessôa's accession coincided with the post-War financial boom, the shrillest vibrations of which resounded from the oblique hollows of Wall Street. From 1921 to 1927 American investors lent one hundred and seventy million dollars to the Brazilian Government, while New York was responsible for large investments in other directions in Brazil, viz. in state and municipal loans, in industrial and commercial enterprises, and in public utilities.

In 1919-22 there were two dollar-loans to the Federal Government. There was also a nine million sterling loan for the further valorisation of coffee. But London investors carried that baby! As President Hoover smilingly told an emissary from Brazil at the time, it was hardly to be expected that the Government of the United States should officially encourage a scheme, the object of which was to make the American consumer pay more for the enormous amount of coffee he purchased from Brazil, whose best customer he was!

The growth of American capital investments in South America is indicated in the table on the opposite page—(after 1930 such investment ceased almost entirely).

In May 1921 the Brazilian Government raised a loan of fifty million dollars for various public works. Eighteen months later the succeeding Government declared that on taking office it could not find one cent left from this loan, nor could it trace how the money had been spent. In May 1922 the London loan for the valorisation of coffee was raised, and a further dollar-loan of twenty-five million dollars for the electrification of part of the Central Railway. The electrification scheme had not been commenced ten years later.

United States Capital Investments in—	1912	1930
	Dollars	Dollars
Chile .. .. .	15,000,000	520,000,000
Argentina .. .. .	45,000,000	500,000,000
Brazil .. .. .	50,000,000	447,000,000
Colombia .. .. .	2,000,000	211,000,000
Venezuela .. .. .	3,000,000	172,000,000
Bolivia .. .. .	10,000,000	110,000,000
Uruguay .. .. .	5,000,000	67,000,000
Ecuador .. .. .	10,000,000	30,000,000
Paraguay .. .. .	1,000,000	15,000,000
Guianas .. .. .	1,000,000	9,000,000
	\$142,000,000	\$2,081,000,000

In 1925 Dr. Eptacio Pessôa published a book called *Pela Verdade*, purporting to place his actuation as President in its true light. That kind of post-mortem is the nearest the Brazilian public ever gets to an elucidation of past administrative acts—present acts being quite uncontrollable under a presidentialist régime. It is a peculiarly unsatisfactory form of *ex parte* justification, because the coroner who sits on the corpse is the defendant. Dr. Pessôa's defence, though not lacking in brilliance, is an unconvincing piece of special pleading. By a mass of confusing evidence, it is sought to prove, first, that federal administration was sound and thrifty; and, secondly, that the wild expenditure (of which everybody in Rio de Janeiro was an eye-witness, and of which everybody in Brazil had current knowledge) connected with the Centenary Exhibition of 1922,\* with the visit of the King of the Belgians, and with public works and irrigation schemes of princely

\* The taxpayer in Great Britain had the privilege of making a direct contribution of £17,500 towards this fantastic orgy of Brazilian public extravagance. British concerns interested in Brazil contributed a like amount. Not a particle of good to British trade was done. The British Pavilion was, afterwards, donated to the Brazilian authorities.

futility, did not amount to very much; that it was within the economic capacity of the country; and that much of it was not an actual charge on federal, but on some other revenues not specified. That, of course, begs the very question which Dr. Pessôa raised; the point being that public expenditure was on a terrific scale; that, under whatever rubric, the Brazilian taxpayer had to foot the bill; and that the President of the Republic was not only directly but morally responsible for it.

Dr. Pessôa stated that when he took office in 1919 "the state of the coffers of the Treasury was such" that he was "terrified to verify" that he had not enough money to pay the troops (truly a dire calamity!) and the civil servants (a lesser and more frequent calamity!) at the end of the month. An immediate payment, he explained, of eight thousand contos from the State of S. Paulo, on account of money owed under the coffee scheme, saved the situation.

As regards the fifty million dollar-loan, Dr. Pessôa wrote that it was raised "for any necessities whatsoever of the Government", and not for any specific purpose. Even to-day that will probably be news to many bondholders! He accounts specifically for various items spent, but by his own showing there was a balance of ten million dollars not specifically allocated. That was absorbed, he said, in "general expenditure". As to the charge brought by the succeeding Government that they found nothing left of the loan, Dr. Pessôa said: "There is nothing singular in that. . . . When a loan is contracted, it is precisely in order that it shall be spent, and in order that it shall be applied to the public necessities that caused it to be raised; it is not in order that it shall be locked up in the coffers of the Treasury."

The reason given for not applying the product of the twenty-five million dollar-loan "to the public necessities that caused it to be raised" was that the prospectus of the issuing house in New York had stated that "among other things . . . proceeds of the loan are to be used *in part* for electrification". Where



the money went is still a mystery. The railway was not electrified even "in part"!

Dr. Pessôa's general thesis was that the product of loans just goes into "the general coffers of the Treasury"—expenditure, of course, being met by the simple process of dipping into the till.

The "gold" quota in the Customs was raised to 60 per cent in 1922. It had been 35 per cent in 1915, 40 per cent in 1916, and 55 per cent in 1917. From 1918 to 1933, large issues of paper money were made and the emission of Treasury bonds (the thermometer of budgetary deficits) accompanied such emissions in almost the same ratio. Paper money in circulation in 1933 was over three million contos, and by then the Customs "gold" quota had been raised to 100 per cent. The gold fiction had come to its drossy end.

The outgoing President in 1922 was a sound constitutional lawyer, and he would have nothing to do with the choice of his successor. This led to the introduction of the cruder methods of political intrigue—an aspect to which I have already referred. A Minas Geraes politician was to be elected, on the understanding that a S. Paulo politician should succeed him in the presidential curule. That was the upshot of the political confabulations. Both politicians in question were presidents of their respective states. Feeling in the country ran so high that a military outbreak occurred at Rio de Janeiro—and a state of siege was declared.

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It was under these conditions that Dr. Arthur Bernardes took office for the 1922–26 period. He brought with him a programme of financial reform, to which I have alluded elsewhere. He was unable to carry it into effect, largely owing to serious and prolonged revolutionary troubles, especially in 1924. Revolutions cost money, and in May 1926—only six months before the termination of the presidential period which was to inaugurate an era of financial retrenchment and

strict economy—sixty million dollars were borrowed in New York. As usual the utmost secrecy was observed regarding the negotiation of the loan, which was officially stated to be for the purpose of “liquidating the Floating Debt, and returning to the Bank of Brazil large quantities of money which will furnish to that bank large elements to assist trade, industry, and agriculture”. There has not yet been any coroner’s inquest to determine how that money was spent.

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In accordance with previous political arrangements, Dr. Washington Luiz took office for the 1926–30 period, with Dr. Getulio Vargas as his Minister of Finance.

The new President brought with him—as is invariable under the presidentialist régime—his own pet scheme. It was a ready-made, reach-me-down plan to stabilise Brazilian currency—at a rate of exchange 20 per cent below the prevailing rate! That scheme was, as usual, “cut and dried” long before being sent to Congress, where it was passed into law on December 18th, 1926—only one month after the President had taken office! It was barely discussed. Nobody understood it. Nobody does, even to-day. On the strength of it, however, ten million pounds were raised in London and over forty-one million dollars in New York. So presumably London and New York understood all about it!

The only obvious things about the plan were: first, that exchange was lowered from over 7 pence to a fraction under 6 pence, thus benefiting coffee and other exporters, but increasing the cost of living and of production; secondly, that capital investment values were lowered—especially to the detriment of the foreign investor; and thirdly—the most obvious thing of all—that though the stabilisation plan might operate to keep exchange from going up, it was absolutely impotent to stop exchange from going down, unless the gold that came to Brazil under the scheme were re-exported to prevent the fall of exchange. It seemed—some people were

bold and wise enough to say so at the time—financial lunacy to try and stabilise the currency on borrowed gold, unless (which was not the case) international balances of payments were sufficiently large and sufficiently constant in favour of Brazil to justify their being considered as collateral for some such operation.

No sooner had the big safe-doors of the Stabilisation Bureau swung to, behind the last ingot of the twenty million pounds' worth of borrowed gold, than they swung open again to let the gold start trotting back to where it had come from. The debt remained, but the gold was re-exported to keep exchange up—as long as the gold lasted—to the low, prefixed artificial level! The whole affair was nothing but another gold mirage in the desert of Brazilian finances. It was a revised version of the old gold quota fiction, and a re-edition of the Conversion Bureau delusion. Like them, it failed to operate at all! Once more in the history of Brazilian finances had the foreign investor been inveigled, by specious financial syllogisms, into joining Brazil in making fallacious deductions and hopefully believing a "flattering tale". The scheme was merely a mad prelude to the real story of the political and financial conditions of Brazil—the story which nobody has yet told. It is the story of the true conditions which inevitably led to the Third Funding Loan in 1932—and what followed.

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The inside history of the last decade of Brazilian financial administration still remains to be related—by future historians. They will have at their disposal data of a kind which is lacking to-day. Even so, important data are always lacking in the *My Life and My Work* type of book which is periodically published under presidentialist régimes. The most interesting chapters are always missing. Joseph Conrad once said that he would hate to have his biography published, because he could not stand the thought of being portrayed *en pantoufles*. That was the natural modesty of an author of acute sensibility who

expressed himself to his public in his written work and was content not to court cheap advertisement by obtruding his private life upon his readers. But the case of public men administering the public affairs under presidentialist régimes is very different. Current control of their public acts is out of the question. Post-mortem examinations are useless. They gloss over what is suspected, and explain nothing that really matters. It is precisely what goes on when they are *en par-touffles* that is of the highest significance as affecting their public life. For their public acts are merely full-dress ratifications of their private confabulations.

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There have, so far, i.e. at the precise moment at which this is being written, been only two successful revolutions in Brazilian history: one, in 1889, and the other in 1930. They had one point of mutual resemblance. Their success was quite accidental. In 1889 the military question precipitated events. In 1930 what happened was that the President of the Republic (quite logically—within the range of complete despotism then attained by the political caste to which he belonged) had insisted on nominating his own successor, on whose “candidature”, “election”, and “recognition” a vast amount of money was expended. He was Dr. Julio Prestes, who had also been the President’s successor as president of S. Paulo.

Elements largely, but not entirely, composed of malcontents from the self-same political caste backed the unofficial candidate, Dr. Getulio Vargas, who had been the President’s first Minister of Finance, and who—through the President’s influence, under the “Policy of the Governors”—had subsequently been made Governor of the State of Rio Grande do Sul. Needless to say, the political malcontents raised the Banner of the Constitution! “The spirit of the Constitution”, they proclaimed, “was being violated by the President’s interference in the choice of his successor”. They continued to urge that objection, after the election of that successor had been “recog-



DR. GETULIO VARGAS  
Head of the Provisional Government



DR. OSWALDO ARANHA  
Minister of Justice, and afterwards  
Minister of Finance



MGR. SEBASTIÃO LEME  
Cardinal Archbishop of Rio de  
Janeiro

REVOLUTIONARY MOVEMENT OF OCTOBER 1930



nised" by Congress. But all that—the "election", the "recognition", and the "objection"—was only a repetition of what had happened in every presidential election since the declaration of the Republic. There were, however, sufficient elements of revolution in the ranks of the malcontents, i.e. free-lances not owing allegiance to any of the groups of the close corporation of political mandarins, to convert opposition into an armed movement with the support of some Army officers. But that again had happened many times before in republican Brazil. It was, in itself, no great matter, and the President attached no particular importance to it. Previous rulers of republican Brazil had always known how to persuade the Army to crush "rebellion". But the President's character happened to be one which always favoured direct action, so that in this case he was temperamentally averse from manœuvring political and Army elements in his support, and this authoritative idiosyncrasy was his own undoing and that of his chosen heir to the presidential throne. He committed a grave error of judgment in introducing a political innovation. He made the psychological mistake of imperiously calling up the civilian reservists to defend the presidential dynasty, and thereby turned every Brazilian mother, wife, and sister into his (temporary) enemy. He was left high and dry. All support receded from him. He was just abandoned by the nation, with which it may be noted he had never been unpopular at all. That was the accident which enabled the chiefs of the revolutionary movement (many of whom operated in Argentine and Uruguayan territory), in 1930, to gain a glorious and bloodless victory by having nobody to fight against, peacefully to take the train to Rio de Janeiro, and—by an almost divine intervention—to find the presidential curule vacant when they got there, for the Cardinal Archbishop of Rio de Janeiro had in the meanwhile assumed the rôle of gentleman usher of the Black Rod, to *éconduire* the President of the Republic of the United States of Brazil from the Guanabara Palace to the Fort of Copacabana.

But on one point the two successful revolutions differed profoundly. The republicans of 1889 promised to change everything—and they did. They effected a radical change, the most important aspect of which was that they entirely reversed Brazil's traditions of political liberty, and supplanted the practice of responsible government by the antics of despotism dressed up as democracy. Democracy has not failed in Brazil. It was smothered in 1889, and has been persistently and brutally squashed ever since, while its Jago-Othellos even to-day add slanderous insult to injury by proclaiming that democracy is the "ideology" of fools and that "democratic liberalism" is bankrupt in Brazil. What is bankrupt—fraudulently bankrupt—in Brazil is the political caste which, because it flourished in a community to which it had given a republican label, postured as the exponent of democracy, of which it was merely the cunning exploiter. Democracy is the disillusioned creditor—the Brazilian people, bled white, but to be rehabilitated by still more scientific venesection.

Like their predecessors of 1889, the revolutionaries of 1930 also promised a new heaven and a new earth. Everything was to be changed. But the 1930 newcomers did not keep their promise. Nothing was changed.

Some of the adherents—such of them as have not made or are not in process of making advantageous peace with the new ruling dynasty in Brazil—of the past régime have poured scorn on the 1930 revolutionaries for having achieved nothing. But that is unfair—coming from that quarter—for the fact that nothing was changed does not mean that everything did not want changing. It certainly does not exonerate a single member of the close corporation that constituted and upheld the old presidentialist régime—as it still upholds the theory but not the present practitioners thereof—from the charge that forty years of political jobbery and administrative charlatanism, coupled with methodical oppression of the citizen, had stifled political thought in Brazil. It had made civics of no account, and honest politics a derision. It had obscured political issues



and poisoned every social-political ideal. That autocratic régime had held such sway and exercised such dire influence, that for any change to be effected was a gigantic task. It was one which could be successfully tackled only by the bravery of honest conviction—the courage to see and take the simple course of abandoning political trickery, of trusting the people and of emancipating them, the courage of restoring personal freedom to the citizen and political liberties to the nation.

That task was unfortunately as far beyond the capacity as it was outside the comprehension or even the intentions of the 1930 revolutionaries, once power had come to them by the fluke of a presidential lapse and episcopalian intervention. All they did was to accentuate the ingrained tendencies and accelerate the pace of centralised, despotic, and irresponsible government that had been progressing with such velocity under the presidentialist régime. They paved the way for frankly despotic government in Brazil. They smoothed the steep place of the Gergesenes—which was already so slippery. It will be another miracle if Brazil does not run violently down it.

## CHAPTER XV

### THE FINANCIAL "AGREEMENT" OF 1934

HOW the "principle of authority" (which is only a misleading circumlocution for the plain word "despotism") operates, whether by frank dictatorship or by fudged presidential absolutism, is exemplified by the decree of February 5th, 1934, in which the Provisional Government made a direct application of that principle *in partibus infidelium*, i.e. to Brazil's foreign creditors.\*

The *non sequitur* of the very first clause of the decree is sufficient to reveal the nature of the specious reasoning by which the whole of this curious artifice, called an "agreement", is bolstered up.†

The 1932 funding operation (the essence of which, as the Brazilian Minister of Finance explained, is the "issue of interest-bearing bonds in payment of interest due") was made because there was no hope of any foreign loan being made to Brazil at the time.

In the same way the 1934 "agreement" was thrust on bondholders because, as the Minister also explained, there was no possibility of the terms of the 1932 funding operation being complied with by the Brazilian Government. It remains to be seen whether, when the 1934 "arrangement" terminates in 1938, there may not have to be some further "writing

\* One or two approximate versions of the decree have been done into English. A close translation is given on page 241.

† On the 26th of April, 1934, the Ministry of Finance issued the following *communiqué*: "The Brazilian Federal Government has given careful attention to various protests and criticisms which it has received relative to the foreign debt plan, and laments that they are not such as merit any modification whatsoever being made in the plan."

down", "writing off", or postponement of Brazil's foreign obligations.

There is this to be said in favour of the 1934 "agreement": it is officially declared to be a stopgap. It is doubtful if much more can be alleged in its favour as a financial measure. The ingenuity of the scheme is considerable, but it seems to presuppose ingenuousness in others. No doubt the essence of sound finance is the simplicity of the equation; but finance does not become sound merely by ignoring the quadratic or differential powers that may be involved in the equation to be solved.

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The two most interesting aspects of the "agreement" were: first, what its authors omitted to take into account—either intentionally or in ignorance; and, secondly, what they tacitly implied. Any considerations of the autonomy of the states and municipalities were ignored; while it was obviously implied that the rate of exchange for Brazilian currency would continue to be arbitrarily fixed by the Federal Government, as it had been ever since September 1931, i.e. "fixed" from day to day or month to month at whatever rate the Government, through the Bank of Brazil, chooses.

One positive advantage accrued to certain bondholders: they knew the best (though, quite conceivably, not the worst). They knew the maximum they would receive during the next four years. Other bondholders knew both the best and the worst: they were apprised that they would receive nothing at all, even though the special conditions of some of their debtors might warrant their receiving something! There appears, however, to be a danger that bondholders may be led to suppose that the Federal Government will from now onwards be responsible for the foreign debts of the states and municipalities of Brazil. It might seem simpler, and even financially desirable, that this should be so. But it is beside the point, for it is assuming what has to be proved. The

states and municipalities (if they get back their independence) might not consent to that procedure, even though it might appear actually advantageous for them to have their foreign commitments centralised with the Federal Government, which would then become Brazil's only international debtor in the matter of foreign loans to public authorities. No doubt much might be said for a policy under which the state and municipal authorities would borrow from the Federal Government. The suggestion is no new one. It might appear to simplify matters for foreign lenders, and might conceivably suit some states in Brazil. But the simplicity of such a modality is only apparent, while the guarantees of foreign bondholders might even be jeopardised if such a scheme were ever put into practice.

In at least two of the most important states, viz. Minas Geraes and S. Paulo, the local view prevails, with some justification, that in normal circumstances and in normal times—(political conditions in Brazil have been abnormal for nearly four years)—their own financial administration is sounder than that of the Federal Government. On the other hand, in some of the other states, such as Maranhão and Pará, for instance, the local view—right or wrong—is that their special interests have in the past been sacrificed in favour of more solvent states, especially S. Paulo and Minas Geraes, whose very solvency is alleged to be due to the support they have always enjoyed from the Federal Government, in the composition and administration of which those favoured states predominated until the 1930 revolution. Between those two extreme views lies the general feeling of all the other Brazilian states. That feeling, traditionally profound, is that interference with their autonomy is intolerable.

To ignore those aspects may appear to simplify matters. But to know that they exist—and nobody was better aware of them than the Provisional Government—while refusing to recognise that they weigh in any financial scheme such as the "agreement", is to ignore the psychology of finance, and to

reduce the question of borrowing and lending to the level of mere accountancy.

Foreign bondholders may have inferred that, in centralising the matter of foreign loans and debt services of Brazil, the Provisional Government was the best judge of the situation. They may also infer that the provisional "agreement" is the logical prelude to some future permanent arrangement on that basis. The inference in both cases is quite natural; but it is arguing right from wrong premises.

Two important points must be observed: first, that, at the moment the decree was issued (February 1934), the federal authorities who promulgated it were still merely a Provisional Government, in spite of the fact that they had been in power for over three years; and, secondly, that not only had responsible opinion in the various states of Brazil not been consulted, but the whole of the Brazilian public was completely in the dark as to what was going on in the matter of foreign debts—or indeed of anything else the Government might have up its sleeve.

At the time the "agreement" was being "negotiated", desperate efforts were being made by certain elements in and behind the Provisional Government to ensure their remaining in power indefinitely; and efforts just as desperate were being made by other elements to establish their own hegemony. So desperate were those conflicting efforts that military Fascism was openly talked of as the only solution of government in Brazil. Two members of the Government had resigned. One of them returned and launched the financial "agreement" three weeks later. On his return the official *communiqué* from the Presidential Palace was: "Thus the crisis has been nobly resolved"!

While the authority of the Provisional Government was being thus undermined by these differences in its own ranks, its general actuation and unabashed political manoeuvring had reached the pitch when undisguised hostility to it had been aroused in many quarters. That hostility became so pro-

nounced that, only six weeks after the financial "agreement" had been published, the Government issued a declaration that it was "equipped to suppress any attempt to disturb the peace, and would, if necessary, employ the armed land and sea forces"—a declaration which naturally only disturbed public opinion still more!

A continuance of the spirit of centralised administration characteristic of the Provisional Government might quite well mean that, at the end of a few years, the financial autonomy of the states would in practice have ceased to exist, whether the existing members of the Provisional Government remained in power or not, and with or without the new Constitution; for the only essential feature of the new Constitution is that the presidentialist régime will be preserved, so that none of its provisions offers the slightest check to dictatorial methods of government. In such circumstances (or under some form of military Fascism—always a possibility) it was quite likely that the political autonomy of the states of Brazil would be endangered. It might be still further curtailed, or it might disappear altogether. Coffee might also become in name, as it was in practice, a national régime, and that system be extended, as it already was partially, to cocoa, sugar, bananas, and all other products of the country. All these things were, and still are, quite possible.

But a whole series of other possibilities may arise in opposition to those developments; for the stronger the desire of any "strong" Government to enforce such tendencies, the stronger and more violent is opposition in Brazil. Foreign bondholders may be tempted to say, rather wearily: "Sufficient unto the day!" But, with permission, that is what they have always been saying; and it is partly because they have for so long comforted themselves with that saying, that foreign finances of Brazil have landed in the present mess. This temporising policy of makeshift is no policy at all, even for foreign bondholders. As far as Brazil is concerned, it is not even a temporary solution, because the "agreement" did not take into considera-

tion, much less resolve, a single one of the underlying Brazilian problems, of which the financial difficulties—however large they may loom—are merely a symptom.

One is tempted to say that the financial "agreement" was nothing but a piece of scheming. Before the ink was dry on the decree, one of the gentlemen who had been officially thanked by the Minister of Finance for having so actively collaborated with His Excellency in the preparation thereof was in New York endeavouring to negotiate further loan credits for Brazil, while two states of Brazil were authorised by the Provisional Government to raise internal loans aggregating an equivalent of two million pounds. No doubt foreign bondholders had no option but to accept the scheme that was thrust on them without any warning. But it is important that they should have done so with their eyes open. Presumably the issuing houses (the representatives of which were publicly thanked by the Brazilian Minister of Finance) had full powers from the bondholders to negotiate the "agreement". They had certainly been consulted for a long time—two years according to the Minister of Finance—before the decree was issued. But if bondholders presumed that the Provisional Government which negotiated the "agreement" had full powers to do so, they were mistaken. The Provisional Government had no such powers—even under the very charter which it promulgated in November 1930, and under the terms of which it had, in theory, been governing the country ever since.

It may be argued that though the *de facto* government of Brazil in February 1934 might be called a dictatorship, yet it was a very mild one. But the question of its mildness or harshness is merely a matter of opinion of those who have enjoyed the one or suffered the other. The question of fact is that it was a despotic government, in practice as well as in theory, and it was, moreover, a government which had not paid the slightest attention to the limitations of the *de jure* powers it had conferred on itself in 1930 by its own charter

when it assumed office. The Provisional Government did not exercise discretionary but despotic powers, no matter how benevolently, and notwithstanding the fact that it called those powers "discretionary".

By juridical interpretation, discretionary powers can be exercised only within certain limits which the law establishes, whereas by its own charter—the first article of the decree of November 11th, 1930, by which it assumed power—the Provisional Government placed itself above the law by a subtle contradiction of terms, i.e. by stating that it would "exercise discretionarily in all their plenitude the functions and attributions not only of the Executive Power, *but also of the Legislative Power*".

This question of powers is not just a piece of legal quibbling or juristical sophistication. It is an important question of fact, having direct bearing on all the acts of the Provisional Government, and not least on the Financial Decree of February 5th, 1934.

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In his official "exposition of motives" preceding that decree, the Minister of Finance said that he knew and had declared at the time of the signing of the 1932 funding operation that it would not be possible to fulfil the terms thereof! It would be of some interest to know whether there were any mental reservations of a similar nature in the matter of the 1934 "agreement" about which the Minister was so optimistic. Bondholders with good memories may recollect that, in his official "exposition of motives" of March 1st, 1932—preceding the Funding Loan decree—whatever inward qualms His Excellency may have felt, he not only optimistically hinted that Brazil might be able to "anticipate" the time-limit specified therein for suspended payments, but also added: "We feel certain that this is to be our last funding operation." It was. But only because the Provisional Government could not negotiate another loan!



Owing to the curious nature of the composition of the Constituent Assembly, resulting from the selectively elective processes enforced by the Provisional Government in its convocation, the Government could rely on a numerical majority of votes therein, if not on qualitative support. In that respect the Assembly was a faithful mirror of all post-republican Congresses in Brazil—a state of affairs, by the way, which the Provisional Government had solemnly promised to abolish!

At the time of the signature of the Financial Decree, and before the draft Constitution had even been discussed in full Assembly, the main preoccupation of the more immediate friends of the Head of the Provisional Government was to ensure the latter's election as future President of the Republic by that working majority in Congress. The interested marches and counter-marches were as unedifying as usual, and their repercussion throughout the country most disturbing. Their complications led to a split in the ranks of the Provisional Government itself, which began to enlist the support of many members of the old political caste it had ousted, and thereby provoked a whole series of political entanglements, the full import of which will be apparent only in the future. On a point of law, it is possible to argue that there was no reason why the Head of the (1930) Provisional Government should not be elected President of the Republic under the new Constitution, before or after it had been passed. But there are other considerations, not least those of political decorum; and all the impudent manœuvres of political profiteers to impose a President on the Brazilian nation could not but appear as indecently premature, and an abuse of power. The last constitutional President (Dr. Washington Luiz) had been de-throned in 1930 precisely for the reason that he had insisted on imposing his successor on the nation; and it was felt to be a piece of political inconsequence (to use no harsher term) for the Head of the Provisional Government to wish to impose his own succession, however much his pregnant silences might enable him to proclaim subsequently that he himself had been

alien to the patriotic insistence of his intimates in doing so. Furthermore, with special reference to the Financial "Agreement", the position was that a Constitution was in process of elaboration, the proclaimed object of which was to bring the country back to some simulacrum of normal government. It was therefore curious that vital measures—and measures affecting the autonomy of states and municipalities are vital in Brazil—should be taken, only a few weeks before the constitutional law was to be voted.

The important aspect of the circumstances in which the financial decree was promulgated is that, at that very moment, the constitutional situation was a very special one, while the political atmosphere was obscure and menacing. Foreign bondholders may not have been aware of all this; otherwise they might well wonder why—at a moment of political transition and administrative instability—there had been such secrecy and suddenness about an affair, whereby they were subtly manœuvred, willy nilly, into an entirely new position of solidarity with the actuation of the Provisional Government in the matter of exchange control, as well as of debts with many of which the Government had no legal concern.

"Almost all our credit operations abroad have always, under false invocations, been wrapt in secrecy, and even to-day we know very little about them, so great has been the mystery which, quite wrongly, surrounded them." That statement was officially made in November 1933 by the same Minister who, ten weeks later, suddenly discharged a bolt from the blue in the shape of a slapdash decree embodying a so-called financial agreement, which had been negotiated under a cloak of utter mystery, behind a veil of impenetrable secrecy, and without any previous consultation with the parties most affected on either side.

The question of foreign debts was one which affected all the states and many of the municipalities of Brazil, to say nothing of foreign bondholders, very intimately, but in

different ways. The mutual relations and constitutional position of states, municipalities, and federal authorities were to be defined in the new Constitution. Brazil was on the eve of regaining its Federal and State Congresses, and its municipal Councils, in all of which this highly important question of foreign commitments should and could have been discussed, in the mutual interest of creditors and debtors. Very possibly the upshot might not have been very different in the aggregate; but it might have been very different in each particular case. As matters stand, these Congresses or Assemblies, if and when they eventually meet, will be faced with a cut-and-dried scheme in process of accomplishment and, technically, already placed outside their control. The scheme presupposes that the local authorities will regularly set aside specific allocations *at the disposal of the Federal Government* for the purposes of their foreign debt services. No doubt they will. Many of them had actually deposited amounts in excess of those required under the "agreement". But, at that moment, those authorities were not autonomous. They were mere delegates of the Provisional Government. If, when the states and municipalities regain their autonomy, any of them choose to exercise political pressure on the Federal Government by not making such deposits, then the whole scheme breaks down as far as the Federal Government is concerned; for *vis-à-vis* the foreign bondholders, the federal authorities (under a scheme of which they are the sole authors) will still be morally responsible, though the Minister of Finance hastened to declare, a few days after the promulgation of the Financial Decree, that clause 4 of Article 1 of the "arrangement" relieved the Federal Government of any legal obligation in the matter!

The point is that, if Brazil was to adhere to the system of local autonomy for its various states and municipalities—and that was the whole significance of convoking the Constituent Assembly at all—it is difficult to conceive why there should have been such secrecy in formulating a unilateral

scheme vitally affecting that autonomy, and why there should have been such haste in promulgating a decree at the very moment when the operation of that autonomy was on the eve of being established in the new Constitution. There appears to be only one explanation.

Many members and adherents of the Provisional Government were concerned to limit even the shadow of self-government which the new Constitution and its operation might offer to the Brazilian people. They were even more concerned to forestall the growing power and influence of their political opponents—mostly outside the Constituent Assembly. That influence had been resuscitated by the actuation of the Provisional Government which, for over three years, had administered the country by exactly the same processes as the régime deposed in 1930, the only difference being that the cruder methods of the “revolutionaries” had, by a natural reaction, caused the more astutely unctuous procedure of the old political cliques to shine forth as the beacon of democratic liberties. By suddenly securing full, direct, immediate, and untrammelled control of state finances, the wings of local autonomy were clipped, while the same full and direct control of the country’s commercial balance was secured by rendering such balance available to the central authorities for the commitments of the Federal Government *at its own price*, for it would continue to fix the rate of exchange and have the additional advantage of large amounts of local currency to play with—in one “till”. Thereby the position of the Provisional Government internally was considerably strengthened. It obtained greater freedom of action in domestic politics by having previously stopped “the triple barking mouth” of the Cerberus of foreign debt services—federal, state, and municipal, and it secured its exchange position in the money market (at the expense of trade and commerce), while guaranteeing to itself a plethora of funds at its disposal in the Bank of Brazil.

The success of the financial "agreement", i.e. its successful operation as it stands, is of course quite possible; but it is built up on an extremely narrow basis of hypothesis: first, that of the eventual collaboration in it of the various local authorities affected, if and when local autonomy is ever really regained and effectively operative in Brazil; and, secondly, that of the political stability of the Provisional Government which promulgated it (and the so-called constitutional evolution of the same Government); and the latter hypothesis might, in certain circumstances, be more suppositious than the former, owing to the inherent instability in personal, presidentialist rule. There is, indeed, no special, financial reason why the local authorities, if they get back their autonomy, should not act in conformity with what is stipulated for them in the "agreement", because, financially, they all stand to gain. But political considerations in such matters are all-important, and the vital political consideration, if the states are to be considered as autonomous, is that they were not consulted. In the light of the political history of Brazil, it is quite possible to foresee contingencies arising in which some states might find it convenient to declare that they cannot approve in principle a scheme which arbitrarily circumscribed their autonomy.

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Ten days after the decree was signed, the Minister of Finance made a speech in the Constituent Assembly, not for the purpose of asking approval of the scheme, but merely for the sake of belauding it. By litotes, His Excellency claimed the credit of the measure, but in his preamble to the decree itself he had placed the burden of responsibility for it on the shoulders of Sir Otto Niemeyer by stating that "the Niemeyer suggestion was the basis of the new agreement, in fact it constituted the agreement itself".

It is significant to note that the Government did not ask the Constituent members to approve the "agreement"—that

would have meant discussion—but acted as though it were invested with plenary and permanent powers, whereas juridically such powers were restricted and were, by any interpretation, only provisional. The Government might perhaps claim not to have been any more autocratic than preceding republican Governments in Brazil; but it had not even the semblance of being constitutionally established, or even of expressing the will of the nation.

Various British missions, the members of which have been undisputed authorities in financial matters, have, on occasion, given advice to Brazil for the betterment of the country's finances. But, with respect, their advice has invariably been quite wide of the mark. It has always premised a number of conditions that simply do not exist in Brazil, or indeed in any other country under a presidentialist régime. One of those conditions is that two and two make four. But, under autocratic rule, two and two may make anything—and they usually make anything but four. Autocracy may make a dollar equal to sixty cents, or a pound equal fifty odd milréis. Despotism may hit banks by enabling agriculturists to pay off their mortgages in depreciated dollars, or serve banks by making the nation pay half the debts of the farmer and coffee planter. But the star achievement of despotism is to lay up trouble for the future by trying to insist that the collective will of  $x$  million people shall always coincide with the momentary inspiration or political convenience of One.

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The difficult financial situation of the Provisional Government and of the Brazilian nation generally at the time of the 1934 "agreement" was intrinsically due to the defects in republican government in Brazil. Extrinsically it was partly due to the heritage of past mistakes. But, in addition to negotiating a funding operation—which the Minister of Finance subsequently stated he knew perfectly well "could not be fulfilled"—the Provisional Government made exactly the

same mistakes as every previous Government, though it made them rather less elegantly. Precisely the same methods of political intrigue were adopted. There was the same kind of wildly extravagant expenditure. Unhampered by even the mild and ineffective opposition of any constructive criticism in the press (which was severely censored) or in local Congresses (which had been closed), it might have been expected that the Provisional Government would have been free to perform its self-appointed mission of political and economic reforms. It did nothing of the kind. It raised the "gold" quota in the Customs to 100 per cent, and then abolished it in theory while maintaining its operation in practice! It increased taxation of every description. It set at nought international contractual rights. It effected no reduction in public expenditure. It despoiled coffee farmers of their patrimony, deprived its more important political opponents of their rights as citizens, removed humbler officials from their life appointments, and placed the life of the ordinary citizen at the mercy of any Zaber-n-minded bully in authority. But Customs reductions, revision of taxation, curtailment of unnecessary expenditure, vindication of personal freedom, and restoration of political liberty—all these had been cardinal items of the hasty programme in which the Provisional Government embodied its "revolutionary" ideas when it grasped the reins of power in November 1930.

As a financial scheme affecting the Brazilian nation, the 1934 "agreement" is merely ingenious accountancy, the gravest defect of which is that it appears to go to the root of Brazil's position as an international debtor, whereas in truth it is nothing but a piece of shop-window dressing which the Provisional Government had no legal mandate and no moral authority to undertake in respect of the states and municipalities for which it purported to act, and only a vague shadow of authority in the matter of federal finance. All that may be glossed over, and indeed the scheme may actually be workable in the immediate future. But that does not alter

the fact that its legality is highly questionable, and that on legal as well as on political grounds it may, at some future date, be found to have been a "revolutionary" measure—but perhaps not in the sense in which the Provisional Government intended, when it claimed that it was a "legitimate triumph for the revolutionary spirit that inspired it".

The peroration of the Minister of Finance, in his speech to the Constituent Assembly ten days after the promulgation of the Financial Decree, might perhaps have been justifiable in the case of a Government which had, by a plebiscite, been hailed as the sole and centralised authority on which plenary powers had been conferred to be the nation's financial and political Messiah. In a speech of a member (however brilliant) of a "provisional" Government, to which no such powers had been delegated, that peroration smacks of irresponsible hyperbole. The scheme, His Excellency said, is one which cannot but be hailed as a tribute "to the spirit which animates Brazil, to this atmosphere engendered among us which gives force, energy, and clarity to those who direct, enabling them, after the trials and tribulations of a troubled national life, *in which we were yoked to the dominion of foreign capitalism (sic)*, to arrive at a solution which . . . is the only one which has ever met the needs of Brazilians and the needs of Brazil".

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The question of local autonomy in Brazil is no mere academic problem. It is a vital matter. It is, in fact, taboo. If it were not, there would have been nothing to hinder the Provisional Government from inaugurating a régime of frank and permanent dictatorship. The whole question of local autonomy has, in fact, marked the great stages of political freedom and advancement throughout Brazil's history. The late Dr. Leopoldo de Bulhões (a leading republican and one who occupied many high administrative posts, including that of Minister of Finance) when dealing with this subject some years ago, pointed out that "in colonial days, we had the



elective municipalities; in 1823, the provincial councils created by the Constituent Assembly; and, in 1824, the general elective councils created by the Constitution. Ten years later, by the 'Additional Act', these councils were transformed into Provincial Assemblies, whose sphere of action was so ample that, after the lapse of half a century, every effort was made to retain them. In 1831 the democrats were enamoured of the idea of a peaceful establishment of the federative monarchy, and in 1834 they succeeded in getting the 'Additional Act' passed—a gigantic step forward towards federation, and one which at that time saved our national unity".

In February 1934 a prominent Brazilian leader-writer wrote: "Just as in 1823, in 1831, and in 1890-91, as well as in all the great campaigns and in all the civil wars of Brazil, we must to-day sustain the federative spirit against the centralising spirit of the groups which have taken possession of the Government. . . . The autonomy of the states and municipalities must be complete and integral, and both in the Constituent Assembly and outside it the adversaries of federation and the partisans of permanent dictatorship must not be encouraged to deal fresh blows against the public liberties."

The S. Paulo revolt of 1932, ill-inspired, ill-timed, and ill-directed as it was, succeeded in arousing considerable enthusiasm, just because its ostensible and proclaimed motive was the defence of local autonomies. The movement only failed to awaken a real response throughout the country (and indeed in S. Paulo itself) because the names of the promoters thereof were not considered to be any hallmark of the genuineness of the motive alleged.

It has in recent years been claimed that political questions are no longer vital in the social life of nations, or that, at best, they are of merely secondary importance. The world's troubles will, it is confidently alleged, be cured only by giving attention to the solution of economic problems. Politicians have, however, been giving attention to little else but econo-

mics during the past fifteen years, and yet they appear to be rather farther off from their goal than they were when they started along the Broad Way of Directed Economy. Some of these neo-politicians who despise political questions remind one of the man who thanked God he was an atheist. The Provisional Government's financial "agreement" of 1934, its plan of Economic Readjustment, and various other quack schemes for quick effect, may eventually break down, just because the political aspect of all of them, especially in the matter of local autonomy, has been entirely neglected.

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It is not known in Brazil what conversations preceded the Financial Decree of February 5th, 1934. But somebody must have agreed to something on behalf of the bondholders, for the Minister of Finance alluded to the decree as "rendering effective the combinations and understandings we have had with our creditors as to a new agreement relative to Brazilian debts". Perhaps the bondholders knew what it was all about. What is certain is that the Brazilian nation, i.e. the responsible debtor, knew nothing.

Some further points of interest in the Minister's statement were that the total capital in circulation of Brazilian loans abroad amounted to £351,500,000. He also mentioned that Brazil had never been able to meet the service of her foreign loans without having recourse to further loans. That was, of course, an open secret, at any rate in Brazil.

Under the Financial "Agreement", Brazil's foreign creditors will make her a present of £57,019,000, by giving her quit-tance for £90,664,000, and receiving only £33,645,000.

Furthermore, arrears of certain state and municipal debts are to be transferred for liquidation at the end of the loan period of each debt, such arrears amounting to £16,426,600—on which no interest will be paid for the extension of the respective periods. Thus, the states and municipalities are to have at their disposal "for application in the payment of

their internal debt, or in *productive undertakings*" the amounts derived from taxation which might otherwise have been earmarked for meeting their arrears.

Finally, the Federal Government is to have at its disposal the "special deposit, totalling one million one hundred and nineteen thousand contos, during the whole period of the 1932 funding operation". That amount is equivalent to £20,000,000, at the official pegged rate.

Two comments suggest themselves: first, that the whole *raison d'être* of having—in September 1931—instituted the official monopoly of transactions in foreign bills of exchange as a prelude to the 1932 Funding Loan was thus shown to be falsified. The fundamental justification for that policy was that the normal commercial transactions of the Brazilian nation, especially of exporters, had to be penalised, in order to aid the Brazilian Treasury. The means to that end naturally proved futile, for it was obvious to most people that the only way in which some relative stability could be introduced into Brazilian finances was to start by letting the country take advantage of the stimulation which low exchange would have given to exportation, and for public administration to be conducted with the strictest parsimony. Secondly, as, for whatever reasons, sufficient cover was not available for the remittance of the full service of foreign debts (even with the benefit of the 1932 funding operation), bondholders might feel they should have been given the option—under the "agreement"—of receiving in Brazilian currency at least some part of what was owing to them, instead of seeing surpluses in currency placed at the disposal of the debtors for employment in "productive undertakings", or otherwise.

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In "explaining" the "agreement", the Minister of Finance stated that nations were divided into three classes, viz. those which cannot pay, those which can pay, but will not, and those which pay what they can. Under the 1934 scheme, he

said, Brazil had inscribed her name in the last class. If it is a question of classification, another class might be added, viz. that of nations which can and will pay their debts, as soon as and as long as they have financial administration which combines competence and thrift with responsibility—to the nation. It is in that class that Brazil long ago “inscribed her name”, before the era of the dictatorial, presidentialist rule of a “free” republic. The daily toil of the Brazilian citizen, as well of the foreigner domiciled in Brazil, and the contribution of both to the public coffers are ample to produce the economic stability of public finances, without any recourse to so-called financial “agreements”, which are a mixture of acrobatics in dubious accountancy and of vain expedients, devoid of political vision or of any real considerations of the best interests either of the Brazilian nation or of her creditor friends.

There is some psychological interest attaching to the order of words in which the Minister of Finance—in accordance with established practice—submitted the Financial Decree to the Head of the Provisional Government for signature. His Excellency said it was “for the aggrandisement of your Government and the good of Brazil”!

Perhaps the gravest defect of the Financial Decree is that, while airily appearing to settle everything, it settles nothing. Mr. Podsnap would have been proud of it.

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## CHAPTER XVI

### THE REAL PROBLEM

FOR nearly a score of years now the world has been asked to believe that social happiness and political salvation are to be attained by chameleonic forms of directed economy, for which it is claimed that its multiple formulae are strictly scientific, constituting the only scientific bases of scientific government, especially when elaborated by the professorial wisdom of abstract research.

The only difficulty in the way of accepting that proposition is that the scientific government which is the corollary of every new theorem of these formulists is not scientific, and that it has not yet learned to govern anything or anybody. It starts by being damnable, because it rejects moral values. The old school of political economy never did that. On the contrary, it was dubbed the Dismal Science, just because it proved that moral values did not play the part they might in the economic dealings and social relations of mankind. Government on the pseudo-scientific basis of directed economy may end in being nicknamed the Damned Science, because it will be found to have proved nothing—except that it cannot solve anything.

Science takes no stock of moral values. That is not its job. But it is essentially the job of government to be good government, and goodness presupposes moral values. There can be no moral goodness, or indeed any morals at all, unless the citizen be free. Morals (or the lack of them) have been said to be a question of latitude. But Locke disproved long ago that there was anything innate about morals; for the fact is that morals no more depend on latitude than they do on longi-

tude. They depend merely on accepted custom, and unless that accepted custom be grounded on freedom and make for freedom, there can be no moral virtue in laws and no moral sanction applicable to breakers of the law. Laws which are not the expression—however imperfect—of free will are merely of the nature of edicts which, even if scientifically perfect in scientific theory, are in practice nothing but Czarist ukases, the essence of which was that they might sometimes be explained, but never contradicted by the Senate. Laws are not morality, however scientific they may be. They are merely the barbed wire to keep out the invasion of immorality, i.e. of what is held to be immoral.

“Necessity knows no law”, but it knows no law only because it knows no morals. It is an amoral conception. The paradoxical aspect of directed economy, of interference of Governments in the private life of individuals, of curtailment or abolition of political liberties—in a word, of dictatorship, is that it invokes “Necessity” to justify its laws, the very Necessity which is simultaneously invoked as knowing no law. In other words, scientific government seeks its scientific justification in a negation of its own science. Scientific government goes even farther. It not only claims legality for its actions by the simple process of validating its acts by Force and calling them Law, but it defends such acts as highly moral. But the actuation of dictatorial Governments is neither legal nor moral. It has nothing to do with law, and even less with morality. It is a question of convenience, or of some *a priori* idea on the part of the ruler as to what should be done, i.e. as to what he should do. The so-called laws he makes are illegal, because they have no moral sanction. The only justification for capital punishment is not merely that it has been said: “Thou shalt not kill”, but that the accepted customs or morals of the community have definitely established that murder is an offence against the community, an act of treason, and a crime against the civic ideal which we call civilisation.

Dictatorial government may be defended as a necessity. It may even be speciously justified as a scientific necessity. But it cannot be defended as lawful, or justified as moral. Dictatorial government is, however, not really scientific at all. Without exception in the world's history it has been operated by charlatans.

It is just because dictatorial Necessity knows no law that reactions against it know no law either. Those reactions are called revolts and revolutions. The fact that successful revolutionaries in Latin America always end where they began is simply because the revolutions have not yet been made by the people, but only by some members of the self-seeking political caste in the name of the people. That is why the history of Latin America is so full of revolutions that resolve nothing. They just march round in circles. They get nowhere. Their leaders do not intend that they should.

The future history of those nations who have in modern times set out along the path of despotic rule, whether under Fascism in Italy, Nazism in Germany, Bolshevism in Russia, or government by Blank Cheque in the United States, will be no different in essence from the past history of Latin American nations living under the heel of presidential dictatorship. It is bound to be one of revolt and bloodshed—with unfortunate consequences for other nations, owing to the close interdependence and community of civilisation, which such Governments betrayed by hoisting the Jolly Roger of Autocracy. The fact that other previously existing factors have so far acted as checks to the action of such forms of government should not blind us to their implications, or to the inevitable consequences—unless the checks, as seems unlikely, prove stronger than the motive power. The working and the results of dictatorial forms of government may be observed in all their crudity in Latin America, where the checks are either ineffective or inexistent.

It is often alleged that despotic forms of government are heroic measures imposed by dire necessity, and that it is not a question of justifying them either legally or morally. But that is mere casuistry. The alleged necessity is not a political necessity at all. Police intervention is often a public necessity; but government by policemen is no polity. The real necessity for those in power—if they are sincere in their protestations of performing a national task—is to admit that they are not supermen, and that they require the active co-operation of every citizen in that task. But this is not what happens. The people lazily hand their rulers irrevocable powers of attorney, or tamely submit to such powers being arrogated by force. The rulers then blow themselves out to the size of Hercules, and seize his Club wherewith to perform their self-appointed Labours. Their first exploit is to scotch some more pressing Nemean lion. They make whisky-drinking legal, or Jew-baiting a national pastime. They then turn to the Lernian hydra. And they never get beyond that task. The next thing the citizen knows is that the Club is descending on his own head, and, by a natural reaction, the citizen begins to turn himself into a Hydra-headed multitude. That, in any case, is what usually happens in Latin America. The better to deal with that awkward phenomenon of criticism, the Lilliputian Hercules then drapes himself in the robes of Constituted Authority, and turns his club into the wizard's wand of a sterilising, pseudo-biological Aryan philosophy, into the forceful fasces of assassination, torture, and exile, the divining-rod of a Brain-watered Trust, or the constitutional truncheon so dexterously wielded by the Grandison field-m Marshals of Latin America.

The fatuous justification of all this is the bombastic trumpeting of these Herculean pygmies that they have the nation behind them and that the nation presents a united front. So do galley slaves under the persuasive tongue of the overseer's lash! The panting rowers have not even the right to turn round and try and discern in what direction they are



propelling the ship, much less offer any observations on the course chosen! If the people like being chained, back to front, to the rowing bench, as a patriotic manifestation of discipline and order, that of course is their own affair. But slavery, even if self-imposed, is not ordered discipline, which consists, not in slavish obedience to orders, but in intelligent collaboration in formulating as well as in obeying them. Even unquestioning obedience implies the right to question. The blind servility of a people under despotic rule is not a tribute to their perspicacious obedience, but merely proof of the truth of the proverb that none are so blind as those who will not see. The blindness is either an insult to their intelligence, or a demonstration of its absence.

The truth of the matter is that slavish obedience is not man's normal characteristic, nor can it ever be a civic ideal—much less will it ever be a nation's ultimate salvation. Modern despotic rulers have seen this. The ancient despots could afford to ignore it. Nowhere is more attention given than in Italy and Germany to the political training of youth. Civics has no place in that curriculum.

The arid Nazi doctrine of discipline for discipline's sake sedulously aims at converting Faith into mere belief in a political creed, Hope into savage anticipation of trampling on enemies, and Charity into thanking God that they are not as other men are. Spinoza's *Ethics* was among the books burned by the student corps on the symbolically infamous funeral pyre *Unter den Linden*, and all that remains for German youth, for whom the Bible is suspect, is to find Faith, Hope, and an apocalyptic sort of Gog and Magog Charity in Heinrich Vierordt's Hymn of Hate—"O Germany! Hate! It is from Hatred that thy salvation shall come!"

In the *Balilla* infant training centres, organised by the *duce* (who gave the world a new version of *Pax Romana*, when he said he was prepared to "enter into alliance with the devil himself") the Fascist doctrine of Faith, Hope, and Charity, as approved by the Vatican, is: "I believe in the genius of

Mussolini, in our Holy Father, Fascism . . ." and a great deal more in that pious strain.

It is on such teachings of the adoration of Forceful Hatred and Ignoble Faith that "young men and maidens", are to grow up to be good citizens of the world!

In Latin America, Italian as well as Iberian racial fusion is strong, and Latin Americans are Roman Catholics by tradition. But they are becoming less and less so by conviction. Their faith is not fortified by acts like the Lateran Treaty which—for rather more than thirty pieces of silver—allowed a profane Absolutism (of which they have bitter experience under the Southern Cross) to be grafted on to the older papal stock of Apostolic Absolutism—for the better domination of the human conscience and, of course, *ad maiorem Dei gloriam*. The predominating foreign elements among the Roman Catholic clergy in Latin America, and their arrogant and pernicious influence in politics have contributed to spiritual values being supplanted by superstition in home life, and to jesuitical casuistry doing duty for plain honesty in public life.

In the United States, the seed of dictatorial government had to be sown on different ground. There were other traditions. But even those fine traditions had become warped by the radical defect of the system of government, by the mirage of democracy and the reality of Tammany Hall, by a lazy mental outlook that was called the psychology of optimism, by the glorification of mere bigness which was interpreted as dynamism, and by the condonation of political corruption as the only means towards "getting a move on" and "getting things done". That grim book, *The Strange Death of President Harding*—which has been widely read in South America—is one of those blazing indiscretions that sears, because the author tells terrible truths in the most matter-of-fact manner in the world. As Mary Butt put it—and she might have been writing about Latin America—Gaston Means deals with "Cellini's world . . . repeated in a society where a shallow culture replaces learning, with plumbing for architecture and

uplift for piety. Leaving the lusts and the superstition to ferment in an intellectual squalor that had in it something childish—an ill-bred childhood". In that atmosphere of political, social, and moral fetishism, worship of a fabulous monster called The Blue Eagle is replacing reverence for the antiquated idea that "ne'er shall the sons of Columbia be slaves". In the new political jargon, invented in Washington and so much admired in Latin America, the "psychological atmosphere of Confidence" is being created—apparently by a Confidence Trick. But, in its ultimate reaction, unless the sanity of the American people recoils in time, that process will merely create a metamorphic convulsion, in which the way of an eagle will be found to be that of a clipped invertebrate painfully trying to do the goose-step. Meanwhile, the American people is apparently settling down to learn that the dollar may be almighty, but that it is not The Almighty.

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By *caudillo* tradition, and by the subconscious tendency to imitation that characterises quick intelligence as opposed to profound study, the modern canonisation of directed economy in other countries has been hailed by the political caste in Latin America as an *ex post facto* vindication of their own methods, and as a paulo-post-future justification of forceful government by those who hope—owing to the crass errors of the old school of constitutional despots—to succeed to power and abolish all "ultra liberal" régimes. The modern forms of despotism ushered in by Signor Mussolini, logically expanded to the *n*th by Japan, adapted to atavistic tribal Pan-Germanism by the *Fuehrer*, and confirmed as utterly democratic by Mr. Franklin Roosevelt—when he completed the circle and grasped the Bolsheviks by the hand—met with admiring approbation in governing groups in Latin America, and not least in Brazil. National Fascism in Italy—with its annual budgetary deficits of billions of lire; racial Fascism in Japan—with half its revenues devoted to armaments; and

hybrid Nazism in Germany—with its old methods of fraudulent bankruptcy officially applied to public affairs, had all suppressed opposition by highly convincing methods—the conviction of force. And then, on the top of all that, came N.R.A.—with its psychologically optimistic Budget for 1934 showing a scientifically pre-arranged deficit of over seven billion dollars, and that coin equally scientifically reduced to 60 per cent of its real value. Not only was Latin American autocratic presidentialism thus confirmed by the most “dynamic” people in the world, but it was ratified as compatible with lip-service to the democratic principle—as exercised in American democracies.

In the Brazilian Constituent Assembly several members had the temerity at Christmas 1933 to raise the question of the liberty of certain Brazilian citizens who were in durance vile, without trial, i.e. merely by order of the authorities. There was nothing strange about such imprisonment. What was strange was the suggestion that the prisoners might be released. What was still stranger was that it was apparently thought that some attention might be paid to such a suggestion. But that was clearly overdoing it! The Minister of Finance, speaking on behalf of the Government, stated in pained surprise that the matter had nothing to do with the Constituent Assembly, whose only business it was to vote a Constitution, that being (though His Excellency did not say so) the indispensable democratic label which has to be wrapped round autocratic government to give congruity to modern forms of republican despotism. It was, the Minister proceeded, certainly no business of the Assembly to concern itself about such trifling matters as personal liberties and the freedom of the citizen. “If the Government arrests”, he concluded, “it is because the Government finds it necessary to arrest!” Strong governments certainly simplify matters—for themselves! The “elected” Assembly bowed its head submissively.

Meanwhile censorship of the press is constantly and sometimes violently exercised in Latin America. Early in 1934,

the circulation of one of the leading newspapers in Rio de Janeiro was suspended, not because it had written anything against the Government, but merely for having published a caricature which, by a stretch of hypersensitive imagination (and the sensitivity of dictators is one of their most remarkable qualities) might have been construed as a gentle dig at those in power. The state interveners are constantly closing local papers which have been guilty of "disrespect of their authority"; on which the Minister of Justice at Rio de Janeiro invariably sends a cable to the intervener stating that he can rest "assured that the Government will not fail in its support of the prestige of your authority". A few months ago, two editors of an important newspaper in Chile were threatened with deportation for having sent a telegram abroad relating the true story of the participation of several gendarmes in a Marxist plot. Some years ago, a British journalist in Rio de Janeiro was imprisoned and a year later the circulation of his periodical was suspended, because he had made some mild, but incautious, criticisms of the financial policy of the Government. There is no redress in such cases.

Under autocratic régimes the press cannot function as a guide to public opinion, or even as an expression of it. Newspapers considered sufficiently influential are subsidised. Even sincere opposition in a few courageously independent newspapers, which can barely pay their way, suffers by being thought to be a mere matter of blackmail because they have not been paid to flatter or to keep silent. In Italy and Russia, the press has long been merely a publicity organ for the opinions of those in power. In the United States, the press is an unabashed advertisement racket. In Hitlerist Germany, there were, at the beginning of 1934, only 1,200 papers published, as against 2,700 previously. The *Lokal Anzeiger* was reported to have lost half its readers, and the *Berliner Tageblatt* nine-tenths. *Die Morgen Post*, the paper which formerly had the largest circulation in Berlin, had lost two-thirds of its reading public. The censorship reduces newspapers to a dull

level of monotony—the monotony of official *communiqués* and filleted comments. The autocratic régime in Brazil has killed the soul of the press, which is muzzled one day, overfed the next, but always chained. There are still bravely independent journalists who write in Brazil, but they do so at their peril and at the editor's grave risk of having his printing press shut down and his editorial offices shot up.

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Parliamentary government may not be scientific; but that is the last thing it pretends to be. In fact it is not a science at all. It is an evolutive art. But it does somehow manage, rather slowly and painfully at times, to reconcile the welfare of the community with the rights of the individual in a world of constantly changing conditions. By its operation, civics continues to occupy its rightful place as a political aspiration, because it is at least intelligible to the citizen. Parliamentary deliberative processes may appear to require an undue amount of time, but they do not encourage any waste of time in talking about technocracy, of which nobody has yet explained the meaning, though its adepts profess to find civic inspiration in flywheels and ergs. Representative government finds ethics a safer guide than technics, and popular rule produces straighter dealings than arbitrary rulers can ever achieve.

Arbitrary rule is only a rule of thumb—the arbiter's thumb, and generally an inflated Tom Thumb. But that rule has been raised to the dignity of a political principle by those who pin their faith to mailed fists and thumbscrews as symbolic of Ordered Progress. For there should be no illusions that mailed fists represent mere flights of rhetorical exaggeration, or that thumbscrews are out of date under highly scientific régimes of autocratic government, whether the exponents of such régimes kiss the rods of Fascism, kotow to the Cross Cramponée, worship a coloured Eagle, or bow down to the Rimmon of presidentialist autocracy. The place of fists and screws in the ascending scale of The Question is just after

the Third Degree. The Last Degree—after due progression through the whole gamut of unmentionable hideousness in eliciting confessions by torture, is that of being hurled violently from an upper story of a police station, in broad daylight, and falling in a bloody heap on to the nice, clean, urban-improved pavement below, as happened to an unfortunate merchant at Rio de Janeiro in the Year of Grace 1924. That case was by no means an isolated one. The official euphemism for that act is Suicide. Castor oil, the lash, and the flexible rubber whip are to-day only a few of the indispensable accessories in the persuasive equipment of the lictors of the Principle of Authority.

When the man in the street in England sees an exotic Italo-Britannic Fylfot squad marching along under its cabbalistic flags, he should make no mistake as to whither those masquerading harriers are hurrying. They are marching—perhaps unwittingly—towards the civic ideal of slavish barrack-yard obedience to brutal barrack-yard truculence, of a kind that transformed Germany from the home of enlightened philosophical speculation into the grim laboratory of doctrinal philistinism which, with diabolic cleverness, staged a bloody murder at Serajevo in order to precipitate a world war—by proxy. They are—perhaps unconsciously—paying lip-service to a régime which could have a liberal patriot like Matteoti battered to death for having had the courage to speak boldly in the name of liberty in the Italian Parliament. They are—in ignorance no doubt—paving the way for the introduction into Great Britain of Latin American forms of presidential dictatorship, the highest exponents of which were Don Juan Manuel Rosas, the blue-eyed Nietzschean superman, whose praetorians so skilfully slit the throats and stomachs of Argentine citizens in the sacred name of national unity, and the taciturn Doctor Francia, the demi-god of Paraguay, whose hepatic troubles yielded only to the treat of peeping through the shutters of his Palace window at Asunción, before breakfast, and seeing some political prisoner

(whose back had already been finely laced with five hundred lashes in the Paraguayan "Chamber of Truth") fall before the rifles of a firing squad. British Fascists are lightheartedly betraying civilisation, as they strut, in their black-shirted pride, to the Sanctification of the Mailed Fist, the Beatification of Tom Thumb, and the eventual constitutional Canonisation of both.

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Under its own forms of despotic government, whither is Brazil heading? The question concerns a nation of nearly fifty million inhabitants in a territory larger than Europe.

Cheap optimism may be left to company promoters; anxious optimism to those whose duty it is to explain—as best they can—what frozen credits and financial "agreements" mean to-day in special relation to Brazil. Pessimism leads nowhere. The illogical pessimist runs away from typhoid fever—like Schopenhauer. The logical pessimist walks in awful calm to a suicide's grave—like Mailaender. The un-reasoning optimist lives in a fool's paradise.

There is no reason why we should not be optimistic about Brazil, but we have to be reasonable in order to be optimistic. The reasoning optimist will not only admit the worst, but try to analyse it—and then work manfully for the best.

The essential fact about Brazil is that the Brazilian people is struggling for personal freedom and political liberty—and tying itself into knots in the process, for lack of confidence in its political leaders, and, above all, for lack of faith in itself. All questions of financial stability and economic development are secondary, and are conditioned to that struggle for freedom, which goes much deeper than many observers, either Brazilian or foreign, seem to imagine, and which has been complicated by a network of trammels thrown over the body politic by self-interested politicians in the sacred name of republican liberty. It is probable that the Brazilian people will one day succeed in removing those shackles, and



they are likely—incidentally—to do more than just curse the shacklers; for the process may be violent.

As to the immediate future, this is what a highly cultured and travelled Brazilian wrote to me in the first days of 1934:

"I doubt if even you have any real idea of the dispositions to violence that are entertained in our political circles: not only Government circles, properly so called, but in those other circles which are waiting, with such patience as they can muster, for their turn to come to govern. Make no mistake! By the process of progressive mental degradation, by the curtailment of liberty, about which your great compatriot, John Stuart Mill, spoke, Brazil has at last arrived at the Hispano-American mentality of the beginning of the last century. Obligatory religion, and previous and permanent control of the spoken and written thought, are now matters of current discussion in the Constituent Assembly and outside it. There is no imbecile, whether he belong to the 'New Republic' of 1930, or to the 'Old Republic' which preceded it, who is not fully convinced that the Brazilian people has become a profound and dangerous abomination, the origins of which are to be sought in the democratic aspirations to which, ever since the Monarchy, we have been seduced to try and attain. What is required, such is current political thought, is to correct and educate the masses by the salutary methods of Roman Catholic Absolutism, combined with the administrative science of Doctor Francia. Our politicians think they are going to copy Hitler and Mussolini. The truth is, however (perhaps as a lesser evil, but certainly as a greater derision), that they are not likely to get much beyond Pancho Villa!" That may be a hard saying, but it sums up pretty accurately Brazilian conditions to-day.

The following are extracts from articles contributed by an exiled Brazilian to the *Revista de Portugal*:

"The certainty that nothing is impossible to whoever holds power is the most degrading and corrupting notion that a people can learn. No nation's character is incapable of with-

standing the disintegrating action of this idea. . . . A generation that grows up under a dictatorship will for ever forget the duties of liberty. . . . To-day, the inhabitants of Brazil are only apprised of some new turn which a minister chooses to give to the laws, when he opens his newspaper in the morning, and is surprised to read a decree that suddenly changes the most important social relations. And every day there are facts to prove brutally that the holders of power can do just as they please. It is therefore natural that the people should live in growing fear of whoever wields such absolute power. Fear, then, gives place to flattery, and flattery in its turn to craven abjection. . . . Brazil is being taught by the dictatorship that the Army and the Navy have the power to destroy and to set up Governments—a degrading monstrosity which will poison the national conscience for many years. . . . Politics in Brazil are to-day reduced to the art of flattering the military, with more or less success. Political parties to-day can hope to seize power only by clinging to the tail of some general's horse.”

“But what does the dictatorship think about all this? This is what the *Diario de Noticias*, the Minister of Finance's paper, said on the 9th of May: ‘To-day we are all tranquil about our future. We have doubled the Cape of Storms, and we are in those blessed regions where the smooth surface of the sea is ruffled only by the balmy breezes that are wafted from the virgin forests where hosannas to liberty are classic.’ Meanwhile, the coercive decrees against the liberty of the press are in full force.” The foregoing remarks happen to have been written in 1890. They might have been written the day before yesterday, or indeed at any moment during the forty odd years of the presidentialist régime in republican Brazil.

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Brazil is no longer just a conveniently remote, comic Certificate of Origin for Charley's Aunt. Nor is it the wild

and wonderful land so disingenuously discovered by modern Innocents Abroad, who describe in picaresque language the adventures of the Babes in the Backwoods, after having seen as much of the interior of Brazil as the half-day tripper sees of Epping Forest at Chingford or Loughton.

The Brazilian people is painfully and vainly engaged in trying to find some practical application of ideals of personal and political liberty and to fit those ideals to the humdrum requirements of everyday life and to its own special problems of sane government and economic development. Flattery from interested quarters and fairy tales by literary head-liners serve no purpose. Olympian disdain of a "race of half-breeds" is both insulting and misleading. Vague talk about "the Latin American temperament" is superficial and explains nothing. It is true that Brazil has financial and economic problems, and it is also true that the Brazilian people is composed of a racial medley. The ethnological aspect, the matter of temperament, the financial and economic conditions cannot, obviously, be omitted in any consideration of Brazil and the Brazilian people.

But Brazil's constant problem, her vital problem, in fact her only real problem is a political one—a fact of which she is herself beginning to be conscious, though she is not yet fully aware of it. It is a problem which she must solve for herself. It is, however, the one problem on which all others in Brazil depend. When Brazilians and foreigners both become really alive to that fact, the day of international co-operation will have dawned: of real collaboration between nations that still hold fast to the ideals of democracy, not the mere lending of delusive financial aid—for there is a limit to the things which money can buy—but the helpful interchange of ideas and the cultivation of ideals.

There are no democracies in Latin America. There are only would-be democracies. France has always been a clear-thinking exponent and sometimes a far-sighted pioneer of democratic ideals. Those ideals still exist—somewhat vaguely

—in the Brazil of to-day, and their import is understood. England is the home of experimental political evolution. But neither the historical tradition nor the practical aspects of that evolution—its faults as well as its virtues—are understood by the present generation of Brazilians. That is a pity, for Brazil's problem is simply and solely political; and it is not one which she is likely to solve by revolution alone.

## APPENDIX I

# THE FINANCIAL "AGREEMENT" WITH FOREIGN BONDHOLDERS

*Text of Decree of February 5th, 1934*

### WHEREAS

Owing to the economic conditions through which the great majority of countries with which Brazil maintains commercial relations are passing, the financial situation of Brazil does not permit integral remittances for payment of interest and amortisation of the loans realised abroad by the Federal Government and by the governments of the States and Municipal Districts;

Such situation differs from State to State and from Municipal District to Municipal District, in view of the resources of each, and of the effect which the world crisis has had on their finances;

Moreover, the bills of exchange available in the Brazilian money markets depend on the differences of the balance of trade, and whereas such differences have been declining in recent years;

Further, the efforts of the Federal Government to keep its commitments abroad up-to-date have been enormous and, at times, to the detriment of the value of the national currency; and

Further, the goodwill of foreign creditors has greatly contributed to the organisation of the plan to meet the onus of commitments in the 1934 to 1938 period.

The Head of the Provisional Government of the Republic of the United States of Brazil—

### DECREES:

Art. 1.—The payment of the interest and amortisation of the bonds of the foreign loans realised by the Federal Government and by the governments of the States and Municipal Districts

shall, as from April 1934, be made in accordance with the plan organised by the Federal Government.

1. The Federal Government, seriously concerned at the failure of the States and of the Municipal Districts of Brazil to meet their foreign debt obligations, has resolved to effectuate an operation, comprising the plan of payment to the holders of those bonds, within a period which shall begin on April 1st, 1934, and end on March 31st, 1938.

2. The object of this plan is to guarantee an equitable proportion in the application of bills of exchange available for the services of all the loans of the Federal Government, the States, and the Municipal Districts.

3. For the purposes of the execution of the plan, the Federal Government has classified in the eight grades, as under, all its foreign loans and those of the States and Municipalities.

Grade I.—This grade shall comprise the Funding Loans of the Federal Government, including the amounts already issued or to be issued, by the terms of the 1931 Funding Loan.\* It shall also include the liquidation of the arrears that are subject to the decision at The Hague, which agreement formed part of the 1931 Funding Loan. The Federal Government, recognising the special nature and the importance of its Funding loans, shall supply the necessary exchange for the total service of these loans.

Grade II.—In view of the special conditions relating to the 1930 loan of the State of São Paulo—Coffee Realisation—sufficient exchange shall be granted in order to maintain the integral payment of the interest relative to this operation. From the date on which this plan come into force, there shall also be available an amount sufficient for the annual redemption of bonds to the nominal value of £1,000,000 of this loan. This amount shall be utilised to effectuate the redemption by purchase of bonds at par or below par or by drawings at par if quotations be above this price, and shall be applicable to both blocks of the loan.

Grades III and IV.—Grade III is composed of the following loans of the Federal Government:

\* The Funding Loan *decree* was not signed until March 1932.

## United States of Brazil Loan of—

5 per cent	..	..	1903
5 per cent	..	..	1909 (Port of Pernambuco)
8 per cent	..	..	1921
7 per cent	..	..	1922
6½ per cent	..	..	1926
6½ per cent	..	..	1927

Grade IV shall include the remaining loans of the Federal Government.

Of the loans of the Federal Government expressed in francs, the following had been recognised on the basis of gold francs by the 1931 Funding agreement:

## Grade III.—United States of Brazil Loan of—

5 per cent	..	..	1909 (Port of Pernambuco)
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## Grade IV.—United States of Brazil Loan of—

5 per cent	..	..	1906 (Goyaz Railway)
4 per cent	..	..	1910 (Goyaz Railway)
5 per cent	..	..	1910 (Curralinho-Diamantina Railway)
4 per cent	..	..	1911 (Bahia Railway)

And the nature of these loans shall continue to be recognised in this plan.

The interest relative to all the loans of the Federal Government included in these two grades shall continue to be paid up to the end of September 1934 by the terms of the 1931 Funding plan, but on the termination of the said plan the partial payment of interest shall also be made in respect of all these loans in accordance with the provisions of this (present) plan, seeing that the Federal Government is convinced that any increase in the capital of the Foreign Debt resulting from an amplification of the 1931 Funding plan will be prejudicial to the interest of both parties.

No transference of currency shall be made for the purpose of payment of amortisation relative to the loans in these two grades.

The balance of Brazil's payments having now been relieved in virtue of the liquidation of certain foreign obligations, and keeping

in view the terms of the 1931 Funding plan, the Federal Government shall endeavour to provide, during the period of the plan, an amount not inferior to £600,000 to be applied to the redemption of the 20 year bonds created under the 1931 Funding plan. In consequence of the terms of this paragraph, the deposits in milréis in special accounts in respect of the service of the loans consolidated by the 1931 Funding plan shall be utilised by the Federal Government in the redemption of the internal debt.

Grade V shall consist of the specially secured  $7\frac{1}{2}$  per cent loan of the Coffee Institute of the State of São Paulo. The amortisation in respect of this loan shall not be transferred during the operation of this plan; there shall however be exchange available in foreign currency for partial payment of interest.

Grades VI, VII, and VIII include all the remaining foreign loans of the States and Municipalities. The amortisation in respect of these loans shall not be transferred during the operation of the plan. Exchange shall however be available in foreign currency for partial payment of interest, except as to the loans classified under Grade VIII for which there shall be no exchange available. The loans comprised in this Grade VIII shall be the object of special examination.

The Federal Government further proposes to endeavour to provide, during the period of the plan, an amount not inferior to £400,000 to be applied through its fiscal agents in London in the redemption by purchase below par of State bonds included in the Grades V, VI, and VII of this plan.

4. In the case of all the loans, the liability is the original debtor's, and bills of exchange shall be rendered available for the payments scheduled in this plan against the payments in milréis by those debtors.

5. The totality of the services (interest, amortisations, and commissions) of each one of the loans shall be included in the respective estimates of the Federal Government, of the States and of the Municipal Districts, and deposited in the Bank of Brazil or some other deposit-bank, in special accounts at the exchange of 1 \$000 per 6d., per 12.166 cents and per 3.105 francs. The government shall cause the Bank of Brazil or other deposit-banks to advise the issuing houses or fiscal agents of the various loans in respect of the quarterly amounts of the deposits and of the employment of



the surpluses of the deposits. The milréis available, after the transferences provided for in this plan, shall be invested by the Federal Government and by the governments of the States and Municipal Districts, as the case may be, in existing obligations of the internal debt or in productive undertakings in Brazil or in some other manner as may be agreed.

The provisions of this clause shall not be applicable to loans, the service of which is secured by the deposit, with trustees, of revenue derived from specific, hypothecated imposts.

6. If it be possible, during the period of the plan, to render a larger amount available in bills of exchange, the Federal Government intends to apply such available bills in the redemption, by purchase below par, of such Federal, State, or Municipal bonds as may be in circulation; no bond however shall be acquired for such purpose unless it be receiving regular service in the manner prescribed in this plan.

7. The plan shall be reviewed at a date not later than September 1937, when the Federal Government proposes to reconsider, in the light of circumstances then prevailing, the future services of all the foreign loans of Brazil. In making such revision, the government will, as may seem necessary or advisable, consult the representatives of all the principal creditors.

8. Whenever an interest payment, partial or total, be made on a coupon in the manner prescribed in this plan, it shall be made as an integral payment in respect of that coupon; overdue coupons, if there be any, shall be the last coupons of the bond to be paid, or they shall be retained for future adjustment.

9. The classification of the loans among the various grades and the percentages relative to the respective service are discriminated in the annexed schedule.

The percentages above-mentioned are interest-coupons in the currency in which that value is expressed, the option which certain holders have of demanding payment in some other currency converted at a fixed rate of exchange being provisionally suspended.

Thus, the payments relative to bonds in sterling, francs, and dollars shall be made in and based on these respective currencies.

All payments in sterling shall be calculated on the sterling value of the coupons and paid in sterling currency.

All payments in francs shall be calculated on the nominal value

in francs of the coupons and paid in francs paper, except in the case of those French loans which are specially mentioned under the Grades III and IV (paragraph 3 above) and which are considered on a gold basis. In the case of these loans, although the payment be made in francs paper, it shall be calculated on the basis of five (5) francs paper per nominal franc expressed in the coupon.

All payments in dollars shall be calculated on the nominal dollar value of the coupons and effectuated in dollars paper in accordance with the American legislation.

Owing to the uncertainty of the world monetary situation, these stipulations are necessary in order to permit the accumulation of funds in the respective currencies.

Art. 2.—Both in the Federal estimate of Expenditure and in State and Municipal estimates, in the years mentioned in the previous Article, the allocation set aside for the integral service, in accordance with the respective foreign loan contracts, must be shown, the milréis paper being calculated at the equivalent of 6d., 12·166 cents of the American dollar and 3·105 French francs.

Art. 3.—The amounts to which Art. 2 refers shall be deposited in the Bank of Brazil or in some other bank approved by the government, in equal quotas, at the beginning of each quarter, and at the disposal of the Federal Government.

Art. 4.—The Bank of Brazil shall at the proper epochs furnish against payment in milréis and at exchange of the day the bills of exchange necessary for the remittances, which must be effected in the order set forth in and in accordance with the plan dealt with in Art. 1. Payments at the rate of the day having been made, the surplus amounts of the Union, of the States, and of the Municipal Districts shall be applied in the manner prescribed in this plan.

Art. 5.—It appertains to the Technical Section dealt with in decree No. 22,089 of 16/11/32 to control the execution of this decree in its application to the States and Municipal Districts. The paying agents shall be those (who are agents) of each loan and they shall receive in full the percentages stipulated in the respective contracts on the nominal value of the coupons.

Art. 6.—The Federal interveners in the States and Municipal Districts and the Prefects of the Municipalities having foreign debts are authorised to modify the estimates already approved for 1934,

with a view to causing to appear therein the allocation to which Art. 2 of this decree refers.

Sole paragraph: The said authorities are authorised to dispose, in the manner prescribed in this plan, of the deposits now existing and liberated in virtue of the eighth clause of this plan.

Art. 7.—The text of this decree and that of the plan shall be telegraphed immediately in full to the Ambassadors of Brazil in England, in the United States, and in France, in order that the said texts may be published.

Art. 8.—Contrary provisions are revoked.

\* \* \*

The decree was followed by a complete schedule of Federal, State, and Municipal loans, as classified under the “grades” mentioned in the decree.

Grade I—full interest and amortisation—includes the three Funding Loans.

Grade II—full interest and 5 per cent amortisation—contains the S. Paulo Coffee Realisation loan of 1930.

Grades III and IV—interest varying from  $27\frac{1}{2}$  per cent to 50 per cent of nominal, and no amortisation—include all other Federal loans.

Grade V—interest varying from  $22\frac{1}{2}$  per cent to  $37\frac{1}{2}$  per cent of nominal, and no amortisation—is applied to the S. Paulo Coffee Institute loan of 1926.

Grades VI and VII—interest varying from  $17\frac{1}{2}$  per cent to 35 per cent of nominal, and no amortisation—comprise various loans of more solvent States and Municipalities, i.e. their relative “solvency” having been determined by the Federal Government.

Grade VIII—no interest or amortisation—comprises the remaining state and municipal loans.

## APPENDIX II

### STATISTICAL

#### BRAZILIAN INDUSTRIES

The annual value of industrial production was over seven million contos in 1927, and again in 1928. Since then, the average annual value has been about six million contos, i.e. for the whole of Brazil.

Industrial production in the State of S. Paulo was officially valued at over two million contos in 1932, and again in 1933. These S. Paulo values are equivalent to the total export-values of Brazilian coffee in those years, viz. over £26,000,000 gold.

\* \* \*

#### FOREIGN TRADE

##### *Official Returns in £ Gold*

Annual Average	Turnover	Export Balance of Trade
	£	£
1906-16	94,491,000	16,794,000
1916-20	151,849,000	15,477,000
1921-25	142,151,000	17,179,000
Year		
1929	181,484,000	8,178,000
1930	119,365,000	12,127,000
1931	78,300,000	20,788,000
1932	58,373,000	14,885,000
1933	63,921,000	7,659,000
1934 (Jan./Oct.)	49,749,000	8,473,000

\* \* \*

## COFFEE EXPORTS

These represent 70 per cent of Brazil's total export-values.

Year	Bags of 132 lbs.	Currency in Thousands of Contos	Gold Values
			£
1913	13,268,000	612	40,779,000
1929	14,281,000	2,740	67,307,000
1930	15,288,000	1,828	41,179,000
1931	17,851,000	2,347	34,104,000
1932*	11,935,000	1,824	26,238,000
1933	15,459,000	2,050	26,137,000
1934 (Jan./Oct.)	12,151,000	1,817	18,422,000

\* The port of Santos was closed for three months, owing to the S. Paulo revolt.

Brazil's principal coffee markets are: The United States, which takes 50 per cent of Brazil's coffee; France, 14 per cent; Germany, the Netherlands, Belgium, and Italy.

\* \* \*

## RATE OF EXCHANGE

*Brazilian official sight averages*

Year	London		New York
	Pence per Milréis	Réis per £1	Réis per Dollar
1910	15 5/64	14 \$927	3 \$080
1920	14 15/32	16 \$587	4 \$758
1921	8 9/32	28 \$981	7 \$776
1931	3 207/256	63 \$025	14 \$267
1933	4 17/32	52 \$965	12 \$702
1934 (Jan./Oct.)	4 7/256	59 \$593	12 \$129



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